Questionnaire - Augmint

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?**

We use Ethereum as the core blockchain for the initial version of the system.

Also, it can't fulfill all long term AUGMINT requirements for privacy, scaling and performance. We expect that the ecosystem will gradually catch up on all of these areas. At the same time we do not fully rely on these expectations with our plans. We have fallback solutions, within the Ethereum ecosystem and even potentially moving to other blockchain if required.

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

While many are unaware, all modern currencies in circulation are a kind of credit money. The most important aspect of credit money is that it is created and destroyed continuously in the economic cycle by the mutual actions of economic actors in a fairly decentralized way.

We construct our virtual currencies along similar logic, each targeted to a fiat currency.

AUGMINT tokens are issued when a new, crypto collateral backed loan is issued. AUGMINT tokens are automatically destroyed (burnt) on loan repayment. In case of loan default the collateral goes to AUGMINT stability reserves, managed by a Stability Board and later smart contracts.

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

Purpose: To become a virtual public currency controlled by the users and stakeholders. We expect that it will be able to function as a means of exchange, unit of account and store of value.

Solution: to the disintermediation of th electronic money, because it facilitate the P2P value transfer. It provide direct access to loans for everybody without intermediating banks and financial institutions. Borrowers can access theLlenders directly and cheaply.

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

In our approach stable means that the exchange rate of our currency (A-EUR, A-USD) always closely around par with its fiat pair.

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

The sustainability of the AUGMINT system requires a stable revenue flow to cover the maintenance of the blockchain and system development cost. Revenues are necessary to reward stakeholders of the system too. The AUGMINT system's primary income arises from:

1. Transaction fees
2. Other system fees (e.g. defaulting fees)
3. Interest margin
4. Other seigniorage kind income

b. Launch & marketing

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

1. The open source smart contracts,
2. The code audit,
3. The value of the collaterals,
4. The market automatisms
5. It is always backed with a valuable asset.
6. Collateral does not become valueless.
7. Can always be exchanged to the pair of the coin which it is targeted to

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

1. The stable coin is designed to be a multi collateralized coin
2. The system was designed to work with diversified tokenized real world assets in collateral which has a liquid market
3. Cooperation with several fiat ramp exchanges where A-EUR and A-USD can be easily exchanged to fiat or other cryptocurrencies

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

The system was designed to be able to built in any crypto payment channels as a one click switch to A€/A$ with a loan instead of paying with a volatile asset. With this plugin it creates and spreads the token to the crypto scene. It can be built into the following payment channels:

1. Miners can keep their mined crypto assets and pay the bills with a stable coin while they stay in ETH position and wait for bullish market movement
2. ICO investors can invest in a startup with A€/A$ with staying in ETH position
3. Dapp users can pay with A€/A$ instead of ETH

Cooperation with crypto payment partners to be used widely:

1. Crypto bank which has a card issuing license
2. Landing/borrowing dapps
3. Any crypto finance dapp
4. Ecommerce payment solutions

c. Economics

i. What is your coin stable with respect to?

To a selected fiat currency (EUR,USD, etc)

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?

Augmint has got no peg. There is no central entity who would buy and sell at par.There will be Market Makers to stabilize the exchange rate, and reduce volatility. Above that Augmint has several tools to intervene both on supply and demand side. We are targeting a 0.5- 1.0% spread at the beginning.

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

Very easy.

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

To maintain stability requires a sustain a Stability Board and market makers incentivization. At the these can cost 1-3% pa. of the total supply. Above a certain size we expect these cost will be 0.01-0.05% pa. of the total supply.

v. How transparently can traders observe the true market conditions?

As all txs, actions and decisions of AUGMINT are on the publicly available blockchain and due to credit money technic the system future cash-flow relatively easy to set up trades might have excellent information about AUGMINT system conditions.

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

1. Quantity Theory of Money
2. Modern Monetary Theory
3. Our model based on the credit money theory and real world practices, i.e. how the central banks control money supply

vii. Does your stablecoin supply scale in response to demand? If so, how?

There is no actual theoretical limit, as demand is growing more coins will be created by the users.

viii. 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?

see C) ii. Market Makers

ix. An eventuality plan in case of a "black swan" event.[1,2] The 1% case will happen eventually.

In case of BSE the Augmint Stability Board can adjust the system parameters and also the system can be suspended

d. Tech

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

Yes, short term: Stability Board to manage monetary parameters. Medium/long term: community governance

ii. What transaction throughput can the blockchain currently handle and how does it plan to scale?

As of now Ethereum limit is 15 tps. Ethereum has multiple plans for scaling up (plasma, sharding and casper).

Do its plans coincide with your plans for your estimated demand?

It does but their timescale is uncertain so Augmint has alternative plans to scale up using side chains.

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)

Augmint has no peg. Reason: no peg ever were successful on the long run. Instead Augmint let market forces to act freely to create the actual Augmint/fiat exchange rate. Augmint stability board has several tools (incentive) to influence the behavior of the market players. This results a bit more volatile price around par, but theoretically the only way

(censorship resistance)

Anyone can transact on the blockchain and a transaction, once made and paid for, cannot be stopped

(privacy tradeoffs)

Augmint transactions on Ethereum is pseudo anonymous (i.e. the transaction is pubic but the identity of the account owners is only visible when the user had KYC when used an exchange to get fiat in or out. Augmint plans to utilize side chains with potential.

A narrative can be added to the Token transfers. This narratives are public now. For practical use these narratives crucial. Later we will encrypt these narratives.

(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 govs to shut down?

Yes there are..

1. Underlying assets / fiat rates are coming from an oracle. This is gradually going to be replaced with decentralised solution.
2. The Stability Board is an appointed body (3-7 people) one of the founders at the beginning, It's going to be increased and elected by community/stakeholders by increasement of the volume.

Not in the medium term (when volumes and community grows)

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

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?**

At the moment external Oracle feeds asset and fiat exchange rates. It uses multiple trusted exchanges as source, throws away outliers and calculates a weighted average. If it fails the Oracle can be replaced.

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

Pseudo anonym: all transactions are public but account holders identity is only visible when KYC has happened.

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

All public but transaction narratives can be encrypted

viii. **What is the data and metadata available, and to whom?**

All public but transaction narratives can be encrypted

ix. **How does this impact privacy?**

Identity from public can be "concealed" by using multiple accounts. Proper privacy (or more rigorous KYC/AML) can be achieved by using side chains

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

Smart contracts are open source, Full coverage unit tests available. Code is independently audited. As volume grows additional verifications, audits and bug bounties will be carried out.

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

N/A (market driven, see model)

xii. **Can we make this automated? Do we use a smart contract, or network rules of the blockchain operators?**

All automated and decentralised

e. Regulation

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

Our perceptions: regulators are overwhelmingly concerned because of AML and KÍYC . Their approach not really supporting stable coins and not really understanding that new and disruptive technologies are requiring new supervising methods.

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

1. Make it clear that the stable coin is not a commodity or an e-money or security but a virtual currency.
2. Support the idea that the AML and KYC rules not appropriate and necessary to force on a decentralized virtual currency.
3. (wide) Spread the idea that the stable coin ,from the regulator point of view is better than the fiat cash, and that all transaction is saved forever on the blockchain and publicly available for scrutiny. E.g.: explained here cleverly:

https://www.bloomberg.com/news/articles/2018-08-07/bitcoin-speculators-not-drug-dealers-dominate-crypto-use-now

f. Testing

i. **What kind of simulations have you done and what have they helped you learn? (simulating broad array of market conditions)**

Our simulations provide information about how the system reacts to the different parameter sets.

1. **Mental models for simulations**

   Augmint simulation is testing

   - The system resilience:to collateral price movements using all available rate information of ETH (at this stage only ETH can be a collateral)
   - How should the system parameters adjusted to keep the token price close to the targeted fiat
   - How the users' behavior (which is a parameter to) influence the exchange price
   - What level of defaulted loan can be tolerated without risking the system solvency and liquidity

2. **Econometric models**
3. **Agent-based Modelling / Computer simulations**

   Yes, https://sim.augmint.org

4. **Other (Please describe)**