

# Questionnaire - Stable

## Questionnaire from globcoin.io bringing stablecoins to the next level

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<https://globcoin.io>

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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?**

Ethereum. We are also exploring another blockchain as well, to increase the range of usability and to better populate our stablecoin within the growing ecosystem.

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

The first stablecoin called GLX is 100% pegged to a basket of 15 currencies and gold. This basket is known as the Global Reserve Currency Index (GRCI) which has a continuous and successful track record since inception in 2009. <https://grcurrency.com/>

The full specifics of the Index are on that website, and the Index was used in traditional finance from 2012 – 2018, as a currency management tool marketed by OptimInvest, a sister company. The key part is that the index has a track record of successfully replicating the global economy AND being actively used by global money managers: Optiminvest managed currency risk using this index for UHNW, Institutional Fund Managers, Family Offices etc.

THE INDEX follows an intuitive and unbiased approach based on Purchasing Power Parity (PPP) which evolves as the world economy evolves. These characteristics allow the GLX to act as a global store of value, effectively creating the world's first "reserve currency". The portfolio of the basket aims to capitalize on the market trend towards a globalized and multipolar world by leveraging smart algorithms using the GDP of each country adjusted by the PPP. The currency allocation is well diversified and covers 85% of the world economy. The PPP element ensures a higher weighting to emerging market currencies than is commonplace in other currency baskets. For example, the Chinese renminbi (accessed through non-deliverable forward contracts) accounts for 20 per cent, Indian rupee 8 per cent and Brazilian real 5 per cent. In contrast the International Monetary Fund's special drawing rights (SDR), the nearest approximation to a global currency consists mainly of a basket of developed world currencies.

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

The purpose of our coin is to provide the world with a cryptocurrency *that is not only stable against one currency but against all major currencies of the world economy*. It aims to be a safe haven for crypto portfolio holders who want to remain in the cryptocurrency space but wish to be immune to the volatility of the market. It also provides the community with a coin whose value protects the purchasing power of its holder not just in their own country but in the world economy.

The problem solved is the *volatility* suffered by most cryptos against national currencies. The fact that our stablecoin the GLX covers 85% of the world economy makes it a true store of value for global institutions and investors.

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

For us, stable means 2 things:

1. low volatility against a national currency
2. protection of purchasing power in today's globalised economy

In terms of monetary policy, as the Globcoin GLX is composed of 15 currencies and gold, its behaviour is immunised to the monetary policies of each constituent economy. In terms of monetary creation, we can issue as many GLX as needed, as we will buy the basket on a 1 to 1 ratio basis. It will not affect the value of the coin due to its diversification effect and the immense liquidity of the underlying components.

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

The revenue model is to charge a small fee for issuing the stablecoin from our Platform, revenues from trading activities and fees linked to the use of GLX as a payment token.

**b. Launch & marketing**

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

The market needs to know the real past return of the stablecoin and check if they have been stable against major currencies.

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

1. The background of the GLX (the fact it is the successful GRCI index – but in a digital format) and that its past performance since 2012 has been very stable.
2. The robust and transparent mechanics of the infrastructure for Deposit; Audit; Accountability

3. The background of the Team (the fact this is a team of FX experts from Investment Banking and the Payments Industries coupled with Academics. Helie d'Hautefort the CEO has managed currency risk for all his career; developed the GRCl; managed significant over USD 23 Bio of currency risk , partly based on that index.

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

1. Partnerships with exchanges and institutional clients
2. Not only is GLX a stablecoin for the general market, but it is also a payment token for specific user groups, and we are building a clientbase for that usecase
3. Leverage our Mastercard multi currency Platinum Card sister business by adding the GLX to the current currencies loadable and spendable on the card. Thus creating a perfect fiat and stablecoin wallet for today's market.
4. This program started with Mastercard in 2016 and is today one of the best known multi currency cards in Europe. [www.glob-coin.com](http://www.glob-coin.com)

c. Economics

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

The world economy: namely the 15 specific currencies chosen to replicate the evolving world economy, and gold. That means it is stable not only against one currency such as USDT and Us dollar but all major world currencies.

It is by construction a store of value in today's world globalized economy.

Taking the example of the Australian Dollar : not that long ago AUD against USD was below 0.50 then in 2011 it was almost at 1.10 and now 0.72 . We do not think from an Australian perspective a peg to the USD is synonym of stability . The true stability is if the purchasing power of the coin is stable against the world economy and not against one economy (currency) alone - even the largest one.

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?**

Due to the high liquidity of the currency components in the basket , we are able to control its volatility, if the market price is out of a band we consider as reasonable for the stablecoin. We will then sell / buy the GLX if it goes outside the band and simultaneously sell/buy the index, to create the stability needed.

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

The currency composition is public and available on our website, so anyone can follow the Index easily and apply their own preferred analysis. Globcoin monitor and track all currency movements within the Index continually – and our experience in managing the FX components previously means we have the proven ability to do this.

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

The peg maintenance 'cost' will be the 'cost' of exchanging / delivering the FX. Our relationships in the FX field are extensive and established so we can minimise that 'cost'.

Any deviation from the band will provide us with a potential arbitrage opportunity – with the simple aim of bringing the stability BACK to the stablecoin.

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?**

Yes the 15 currencies and gold can be easily scaled to meet any demand, given the depth of FX markets and gold.

- 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?**

We have FX lines to facilitate all FX flows with our banking counterparties.

- viii. **An eventuality plan in case of a “black swan” event.<sup>1,2</sup> The 1% case will happen eventually.**

We have taken all reasonable steps to safeguard our systems, our working methods, and our model methodology. This follows the business principles of sister companies which go back to 2000.

d. Tech

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

NA until the stablecoin is launched next month

- 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?**

We have no concerns on the Ethereum network for ERC20 tokens; but we are also exploring other blockchains to meet demand / offer choice / diversify the risk of using only one blockchain.

- 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?**

Diversifying counterparties and working with partners across all sectors means we are ‘decentralising’ risk as far as possible.

Our partnerships are within the financial sector – and as well as the crypto side, some relationships are with traditional finance, who are therefore regulated by their relevant jurisdictions / Financial regulators / Governments.

- 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?**

Yes feed of FX price data from Bloomberg and other FX market makers, the range of prices will avoid dependence on one source and allow greatest transparency. The FX world is liquid and accessible 24-7 which is a massive advantage for us.

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<sup>1</sup> [https://en.wikipedia.org/wiki/Black\\_swan\\_theory](https://en.wikipedia.org/wiki/Black_swan_theory)

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

The transparency of the Ethereum network will be the same for GLX as any other ERC20 token.

Regular audits by approved, external Auditors will also see our financial transactions to guarantee the stablecoin is backed correctly and fully. The Auditors involvement will positively impact trust in Globcoin's GLX, and not impact the privacy of individuals – we are fully GDPR compliant and have a robust Privacy Policy.

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

Our smart contracts are independently verified and audited by 3<sup>rd</sup> parties.

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

- ix. **Can we make this automated?**

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?**

We are using the Swiss Regulation on payment tokens. The GLX is not asset backed but price is asset linked ie linked to the value of the basket, we prefer the term pegged as a more accurate reflection of the relationship.

We find the Swiss jurisdiction very supportive to the launch of our product suite in stablecoins. We find being based in Zug very collaborative for our token business.

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

We find working together with regulators is the best way to exchange information flow and discuss possibilities. We also do this in conjunction with the Crypto Valley Association, which is why being based in Switzerland, where the infrastructure for Cryptos is excellent and constantly evolving, suits Globcoin perfectly.

f. Testing

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

1. **Mental models for simulations**
2. **Econometric models**
3. **Agent-based Modelling / Computer simulations**
4. **Other (Please describe)**

A Real time track record of the basket since 2012