# Questionnaire - CementDAO

# 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?**

    Cross-chain is the goal, likely Ethereum as the first deployment.

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

    CementDAO creates a decentralized ecosystem of stablecoin rating agents. The community of BUILD token holders vote to whitelist the best stablecoins, allowing them to be added to a diversified basket. This basket of stablecoins serves three functions:

1. Pools liquidity and exchange between stablecoins
2. Diversifies risk across multiple stablecoins
3. Creates a market mechanism for protecting users against the risk of stablecoins losing value.

The BUILD token is used for governance, whitelisting, and selection of collateral stablecoins through staking. In return, system fees are collected and distributed to BUILD holders who participate in governance. Token holders can stake votes to elect the Rating Agents that decide which stablecoins to whitelist by staking their reputations. BUILD must be staked to support the addition of stablecoins into the diversified basket. When users buy a CementDAO meta-stablecoin, they are given the option between a Standard coin or a Risk coin.

The CementDAO coin is a "meta-stablecoin" that can be redeemed at any time. Its value is insured from risk by the holders of the Risk coin. Risk coins are redeemable, but redemption is not immediate as holders will take the first losses if one or more of the stablecoins in the basket fail. In return for holding this risk they are compensated over time by holders of Standard coins.

Standard coin and Risk coin may be redeemed for any and all of the underlying stablecoins in the basket. They can also be transferred, stored, etc. just like bitcoin or any other cryptocurrency.

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

With over 90 unique stablecoin projects and counting, the market is extremely fragmented, trapping each coin in its own ecosystem and confining it to a shallow pool of liquidity. The user is confronted with a confusing array of different coins, instead of what they expect, a single digital Dollar, Euro or Yen. Cement DAO solves these problems by binding stablecoins into a unified, interoperable, ecosystem of shared liquidity.

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

Maintaining its value over-time as a MoE, SoV and UoA, relative to another good, asset or mixed basket.

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

The systems generates revenues in the form of deposit, withdrawal and exchange fees. This revenue is paid to staking participants in the system who contribute to curation and governance. This is similar to a Delegated Proof of Stake (DPoS) mechanism.

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

   Instead of creating a new stablecoin, CementDAO seeks to build the tools needed to foster a strong stablecoin ecosystem to the benefit of stablecoin users and projects. This helps avoid a situation where, as the stablecoin ecosystem expands, liquidity and attention in the space becomes ever more fragmented. CementDAO will be highly transparent and expert insight and risk management will be incentivized.

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

   Stability comes from unity in the ecosystem and that's our focus: bringing the ecosystem together through common goals and shared agendas. By design the system diversifies and reduces real or perceived risks in individual stablecoins. The additional protection offered by the Risk coin also helps to reduce risk and create confidence in the Standard coin.

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

   Develop personal relationships with stablecoin issuers and stakeholders and create educational content.

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

   In the initial stage it will be pegged to the USD. Later we will issue coins pegged to EUR, Yen and other major currencies.

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?**

N/A - We are a mechanism to mitigate risk within stablecoins and facilitate their exchange.

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

N/A

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

Risks to the holders of stablecoins will be reduced via diversification and a market-based insurance mechanism. As the vast majority of users have no desire to learn the individual risk profiles of each coin, Cement creates a marketplace for this risk: Standard token holders pay a small fee to Risk token holders, who, in the event of an issuer failure, absorb the loss for the Standard token holders.

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

Our system will be fully transparent with verifiable on-chain collateral.

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

This will be decided by the DAO, which rates which stablecoins go into the baskets.

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

Due to the strong network effects of currencies, users naturally migrate to the currency that is most broadly accepted; in the context of stablecoins this has the undesirable effect of encouraging a winner-take-all scenario. Cement knits together user-bases and merchant ecosystems in a way that will allow stablecoin systems with high reliability but limited scalability to collectively benefit. Demand for the CementDAO coins is routed to the constituent stable coins.

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?**

The main job of maintaining a peg is done by the constituent stablecoins, with CementDAO providing additional protection to those who choose to pay for it. CementDAO creates a marketplace for effective risk allocation, with the providers of protection compensated continuously.

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

While the CementDAO system can protect users from the idiosyncratic risks and potential failures of stablecoins in the basket, it cannot mitigate against large scale, systemic or correlated failures across the stablecoin space. If failures of one token create contagion across multiple different stablecoins, this might overwhelm the 'insurance buffer' built into CementDAO.

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

We don't use any novel consensus mechanisms, however we do have a distributed governance mechanism, based on Delegated Proof Of Stake, with some elements of futarchy.

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

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?**

The initial implementation will likely be on Ethereum, which supports roughly 15 transactions/second. Our long-term goal is to operate on multiple blockchains, and the transaction throughput will depend on the chains used.

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)**

N/A - CementDAO is a meta-stablecoin to reduce the associated tradeoffs of the underlying stablecoins. However, we are inheriting the properties of Ethereum protocol, which we will use for the initial deployment as this is the protocol used by most stablecoins.

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

In the initial stage, the governance functions will be centralised via a small number of whitelisted addresses which are allowed to access those functions. This allows us to iterate on the details of the proposed mechanism by building it off-chain first. Once we are satisfied that the mechanism and incentives are sound, we intend to move the mechanism on-chain, removing all centralisation from the system.

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?**

No oracles are needed.

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

In the early stages, transactions are visible (pseudonymously) on the blockchain. We are exploring partnerships with blockchains which provide for higher levels of privacy.

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

For the initial iteration, all forms of KYC/AML procedures will be delegated to the issuance of underlying stablecoins, which are required to buy into our system. However, CementDAO coins are freely transferable on the Ethereum blockchain.

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

This question isn't really applicable to our system.

ix. **Can we make this automated?** N/A
    1. **Do we use a smart contract, or network rules of the blockchain operators?**

    We use a smart contract.

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

    We are currently conducting a survey in the stablecoin ecosystem to gauge industry perceptions vis-a-vis regulations. We believe stablecoins can and should self-regulate, and are working actively to build a DAO to

set standards. In addition, we will continue to educate the market about the risks and work together with regulators.

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

Industry trade events, a shared repository of stablecoin research data, and a stablecoin DAO like ours.

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)**

We are an early stage company, and have only just begun modelling work.