

Questionnaire - The White Company

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?**

STELLAR

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

We believe the only sustainable, predictable and safe mechanism for a stable coin is for it to be 100% backed by the asset it represents. Therefore, our White Standard stable coins follow this exact model.

1. WSD (USD) is 100% backed by USD on deposit at US banks
2. WSP (GBP) and WSE (Euro) are 100% backed by GBP and Euro respectively, on deposit at UK and European banks.

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

1. The purpose of White Standard is to bring the efficiencies of blockchain to the real world.

2. The vast majority of payments globally are done in USD, GBP and EUR. However, such payments, especially when done cross-border are typically expensive and slow. They are also often limited for the average consumer or small business, making it difficult to do business globally on a larger scale. Many banks in fact have issues with accounts if multiple wire transfers are sent to recipients outside of the bank's country, even though those transfers are 99.9% of the time legitimate personal or business dealings. This causes significant frustration by banking clients and White Standard solves this by allowing users to make payments to anyone, anywhere, in less than 3 seconds and for less than \$0.00001 per transfer.
3. In addition, White Standard can work as the basis for smart legal contracts. Almost all legal contracts require a payment, and smart legal contracts can now effect a variety of actions such as title transfers of property, but they need digital money to efficiently handle the payment party. If a party of the contract has to go and fill out a wire form in person at a bank to send into a normal escrow company, it completely defeats the purpose of smart digital legal contracts. White Standard solves this problem by allowing fiat backed payments to be made by parties and integrated directly into the contract. This in turn allows a completely secure, immutable, self executing contract and escrow system. A party sends in White Standard stablecoin into the digital contract, which recognizes the payment and effects a property transfer. The process takes as little as 10 seconds from start to finish, even when the parties are thousands of miles away in different countries. White standard is the only stablecoin that is actively working with legal technology companies to make this happen, and it is the only stablecoin that is a member of the Global Legal Blockchain Consortium.

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

Stable means only one thing: that it can always be bought with or redeemed into the underlying asset it represents at 1:1 ratio. If this is not guaranteed at all times, it cannot possibly be stable.

v. What is your revenue model?

We do not charge any fees to buy or sell White Standard stable coins into their underlying fiat asset. However, we do operate a cryptocurrency and foreign currency conversion, allowing White Standard coin holders to exchange them in and out of other fiat currencies (such as WSD to GBP) or cryptocurrencies. In this transaction, we earn revenue from a competitive spread to market rate, similar to a foreign exchange currency desk.

b. Launch & marketing

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

Since June 2018 and onwards, we have been 100% transparent by independently verifying the fiat assets backing White Standard. The amount of fiat assets is published daily, and is audited monthly by a CPA firm. Similarly, the amount of White Standard issued is always publicly visible on the Stellar blockchain. This ensures that at all times, the market can see that every White Standard is backed 100% by the corresponding fiat asset.

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

We have already achieved it.

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

We are working with payment partners, such as Stripe and Mastercard, as well as large financial firms such as UBS, to implement White Standard as a payments solutions across many different platforms and projects. We also work extensively with startup and early stage blockchain companies to provide them solutions customized to their needs. For example, we are working with the First Nations coin, representing

the economic interests of the native people of US and Canada, effectively backing their coin with WSD, which in turn provides their users with the confidence of the stability and usefulness of their own token.

c. Economics

i. What is your coin stable with respect to?

USD (WSD), GBP (WSP) and Euro (WSE). We plan to launch other currencies soon, including CAD, AUD, JPY and CNY.

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?

Because each White Standard is 100% backed by fiat, all volatility risk is eliminated. It will always redeem into its underlying fiat at all times, guaranteed.

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

Very easy as discussed above.

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

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

There is no cost to do so. In fact we derive a small amount of revenue from the fiat deposits.

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

Quite the opposite we believe that monetary theory is extremely accurate and any attempts to circumvent it with "algorithmic" stable coins that create stability artificially will fail because no protocol or technology beats economic reality.

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

Yes, for each fiat asset deposited, a White Standard is created. There is no limit on how many White Standard can be created, as long as each one created is backed 100% by its respective fiat on deposit.

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?

No capital is required, all capital is provided by White Standard buyers when they get the stablecoin as they pay for it in fiat (or convert other cryptocurrency to pay for it).

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

There are several hypothetical scenarios for stable coins in general

1. First, the failure of the underlying blockchain protocol. This applies to Ethereum, Stellar or any custom built blockchain. Servers can fail, hackers may prevail, and a myriad of other issues can arise. However, out of all protocols, Stellar is one of the most robust, as it's supported by major real world technology players such as IBM, whereas Ethereum relies on a network of miners. In addition, Ethereum tokens require a smart contract code, and have experienced many bugs and issues over the years in some cases leading to a failure.
2. For WSD the black swan is the failure of the US banking system and the US dollar itself. While obviously it is a concern, it is not relevant to WSD as it is designed to mirror USD. The same applies to the UK or Euro, and WSE and WSP respectively. If a stablecoin holder is concerned about country specific risk, they would simply hold a diversified bundle of White Standard based stable coins. If US, UK and European banks and currencies fail, money will be the least of the worries as civilization plunges into apocalypse. As a famous US hedge fund manager once said, the only hedge against a true black swan cataclysm is guns & bullets.

d. Tech

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

Stellar is specifically designed for issuing assets, therefore White Standard stablecoins do not need any additional complex and failure-prone technology to achieve their goals.

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?**

Stellar currently supports 1000+ TPS. While other blockchains attempt to reach that with other methods, Stellar's improvements are expected to push it to 100,000 TPS+ which is well above the volume of electronic payments expected and more than sufficient to allow White Standard stablecoins to be implemented in C2C, C2B and B2B payments solutions.

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)**

The only tradeoff is that Ethereum is currently more "popular" for token issuance and most exchanges support Ethereum-based tokens but very few support Stellar-based assets. We believe that will change significantly in the future.

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

Any 100% fiat backed stable coin is susceptible to government interference as the funds are held in a government regulated bank. We believe that is not a risk, but rather a positive. We feel that algorithmic stablecoins attempting to create "money out of nothing" that is not backed by any fiat deposits will ultimately fail, as every single system we have analyzed (before building our own) did not provide any economic theory to support its mechanism for stability. The reality is that even if one were to achieve a decentralized stablecoin, it would not serve any real world purpose as government regulation and law governs all practical aspects of payments and commerce. The only advantage of a decentralized stablecoin would be not relying on a specific currency, however that again is a fallacy because international finance currently does and for the foreseeable future will rely on government backed fiat currencies. Therefore, a fiat backed stable coin that simply brings the benefits of blockchain speed and efficiency is the solution that has the best chance of having wide adoption and use.

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?**

It does need any outside information and therefore does not use it.

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

The stellar protocol is similar to Bitcoin in that all transactions are public, but the identity of each public key is not publicly known. This ensures privacy for all transactions, unless a user reveals the ownership of a certain public key intentionally or their privacy is somehow compromised by an outside party. In that case, the user can simply obtain a new public key (or many) and use those to transact. This is the same for every single blockchain protocol except Monero.

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

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

Yes, we are using a third party CPA firm to verify and audit all fiat assets on deposit and publish the report monthly.

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

There is no need as the White Standard stablecoins are 100% fiat backed.

ix. Can we make this automated?

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

There is no need as the White Standard stablecoins are 100% fiat backed.

e. Regulation

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

Regulation does need to exist, to prevent criminal activity and ensure a certain order. Yet it needs to be flexible enough to permit innovation and not stifle the efficiencies of blockchain. The US has taken some positive steps in the regulation of security tokens, but has not provided sufficient clarity on tokens that do not qualify as a security but rather act as a monetary instrument (such as a stablecoin). The biggest issue facing the US is the myriad of state laws on money transmission which are antiquated and in many cases do not even properly address electronic money. In that respect, UK and European law and the e-money license regulatory system has proven to be effective.

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

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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)**

White Standard stable coins are 100% backed and do not use fractional reserve banking, outside price fees, or any other complex technology. In that respect, we have run simulations where users deposit \$1trillions of USD to create \$1trillions of WSD and then redeem them all, such that all WSD must be burned and all USD backing it is redeemed and issued back to the holders. In all cases, theoretical and practical, the system works 100% of the time.