

PWC Stablecoin Questionnaire

Trust Token

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?**

Ethereum

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

TrueUSD is a stablecoin that you can redeem 1-for-1 for US dollars. It is fully collateralized by USD.

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

TrueUSD aims to replace Tether as the de-facto USD-backed stablecoin on exchanges. It aims to serve as both a store of value and a medium of exchange.

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

NA - In terms of monetary policy, we do not have any.

- v. **What is your revenue model?**
 - 10bps transactions fees on purchases, redemptions, and on-chain transactions
- b. Launch & marketing
 - i. **What does the market need to be confident in the stability of your token?**
 - 'Stability through redeemability'. One of TrueUSDs biggest differentiators from Tether is that anyone can go into our app portal (<http://app.truecoin.com/>) and redeem directly for USD. This creates a strong economic incentive for the price to stay at/about \$1 as any time the price falls below creates a strong buying opportunity and any time the price rises above, it creates a great selling opportunity.
 - ii. **How are you bootstrapping to that level of confidence?**
 - We have already achieved a market capitalization in the tens of millions of dollars. In the beginning, we had to speak directly with a lot of funds and traders. Also, we needed and still need to be extremely transparent about the funds we hold in escrow. [We use Cohen and Co. to provide these attestations](#) (FYI, we'd love to have PWC involved in this, as well).
 - iii. **What are your go-to-market strategies?**
 - Partner directly with exchanges and OTC desks to establish TrueUSD as the replacement to Tether.
- c. Economics
 - i. **What is your coin stable with respect to?**
 - The US Dollar.
 - 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?**
 - 1. It generally stays within a band of 0.99 and 1.01 (this is what we want and expect).
 - 2. It is the same both ways
 - 3. Small deviations can be supported in the short-term as traders gain confidence in TUSD stability and redeemability and in the long-term it will retain the same value of the USD.
 - iii. **How easy is it to analyze the band of behavior from which it can recover?**
 - It's arbitrageable both ways, no matter what the price is.
 - iv. **How expensive is it to maintain the peg/stability mechanism?**
 - Anyone can arbitrage to help maintain the peg.
 - v. **How transparently can traders observe the true market conditions?**
 - Very transparently. We try to be as open and visible as possible.
 - vi. **Which monetary theory (theoretical) assumptions do you think are not true and how does your protocol account for that? Does your stablecoin supply scale in response to demand? If so, how?**
 - All decentralized monetary policies do not work. We do not use an algorithmically backed system. We operate a fully-collateralized token that does not rely on theoretical assumptions.
 - vii. **Does your stablecoin supply scale in response to demand? If so, how?**
 - Yes. TUSD is ONLY minted after a corresponding USD hits our escrow account. The max supply of TrueUSD is the total supply of the USD.
 - 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?**
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I would disagree with the assumption that they are 'locking up capital' in the way that someone collateralizing Dai is. Several firms, many of which we have no direct contact with, provide liquidity for TrueUSD by taking advantage of the natural arbitrage opportunity that emerges of buying below (\$0.99) 1.00 and selling above (e.g., \$1.01)

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

In the case that TrueUSD had 0 demand or fell to \$0.01, you would still be able to redeem it for \$1/token. However, in the case that the price fell below \$1.00, people will arbitrage the price back up to \$1.00.

d. Tech

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

1. We employ novel legal standards around using the tried and true 'trust' structure to hold and escrow the USD.
2. We are not an algorithmic stablecoin

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?

1. We have not had issues around throughput yet. If people start using TrueUSD for more consumer facing/P2P use cases, it may run into scaling issues.
2. At the moment, we are based on the Ethereum 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))

1. To the extent that we made any tradeoff, the 'vector' we have sacrificed the most on in the short-term is decentralization. Users funds do need to be held in an actual bank account.
2. However, we are building a network of banking partners so that there is no single banking point of failure and that funds are distributed between multiple banks.

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

Presently, the money held in escrow is held in banks.

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

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

They are public ethereum transactions, with no personally identifiable information. Same as all other ERC-20 tokens.

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

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

1. Yes - smart contracts are used.
2. We are also doing 3rd party security verifications of the smart contract. Slowmist, Zeppelin, Certik, and New Alchemy.

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

N/A

ix. Can we make this automated?

N/A

e. Regulation

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

1. There is virtually no local or global regulation that has come out supporting stablecoins and/or asset backed tokens.
2. Some central banks are looking at launching their own stable cryptocurrency
3. Very early days still

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

1. Regulators should get together globally to work with the industry to create self-governance.
2. See this book written by our Chief Compliance Officer - [Amazon Link](#)

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 not an algorithmic stablecoin so market conditions are somewhat irrelevant.