Questionnaire - Stably

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?

        StableUSD will first launch on Ethereum as an ERC-20 token. We are also looking into becoming an anchor on the Stellar network.

        After that, EOS and RChain are two other platforms we may add support for.

        ii. How does the stablecoin work?

        StableUSD is a fiat-collateralized stablecoin. This means that every token is backed 1-to-1 by a U.S. dollar in Stably's reserve accounts.

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

        StableUSD is a solution to the volatility problem of cryptocurrency. Bitcoin and Ether (two largest cryptocurrencies by market cap) have a lot of volatility, this makes them a suboptimal currency.

If Bob pays Alice $100 in Bitcoin and the price of Bitcoin goes up 10%, Bob feels ripped off. If the price of Bitcoin goes down, Alice feels ripped off.

Stablecoins provide a better currency for the world of Dapps and smart contracts. Stably's model of fiat backed tokens allows KYC/AML verified users to redeem those tokens for U.S. dollars.

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

Stability often refers to price and price is the result of supply and demand in the market. Typically, monetary policy has a goal of keeping inflation to a couple percentage points. This means that money is not being devalued too quickly.

Fiat-collateralized stablecoins like StableUSD do not need to worry as much about price because it is backed by dollars. Since StableUSD tokens are redeemable for the underlying asset, the U.S. dollar, it is irrational to sell tokens for less than $1. Likewise, it is irrational to buy tokens for more than $1. Tether has proven this model to be quite stable, albeit with much concern surrounding them.

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

Stably earns revenue off of the float income of the reserve accounts. By purchasing Treasury Bills (cash equivalents) this provides a revenue stream.

There are also other revenue streams related to future products that we will not disclose at this time.

b. Launch & marketing

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

The market wants transparency. Tether has maintained stability despite a lack of transparency, however, confidence has waned.

Stably will do the following: Quarterly audits conducted by a Big Four accounting firm, more frequent attestations of the money in our reserves, and have a 'Transparency Dashboard' on our website showing the money in our reserves, provided by bank and broker APIs.

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

There are three ways StableUSD will gain the confidence of the market. First, as mentioned above, Stably will be transparent with the reserves by have audits and attestations. Second, there will be frictionless issuance and redemption of tokens. Once KYC/AML verified, users can create and redeem StableUSD with no fees from Stably (may incur bank wire fee charged by their bank). Third, market makers partnered with Stably will provide liquidity for StableUSD.

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

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c. Economics

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

StableUSD is stable in respect to the U.S. 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?**

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

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

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

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

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

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

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d.   Tech

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

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       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?**

            Ethereum, for now, is not scalable for Dapps with many users. Hopefully solutions such as Plasma, Sharding, and State Channels will change that.

            For this reason, StableUSD will be built on multiple platforms as previously mentioned.

       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)**

            Stably chose to make the centralized tradeoff by utilizing a fiat-collateralized stablecoin.

            We made this choice because we believe it is the best model. Cryptocurrency-collateralized stablecoins, such as Dai, are capital inefficient. You may have to back 100 Dai with $150 or $200 of Ether. Non-collateralized stablecoins, such as Basis, are unproven and are unlikely to sustain the peg during massive downward pressure.

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

            There are centralized components such as issuance and redemption, KYC/AML requirements for issuance and redemption that are centralized.

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[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?**

StableUSD does not require an oracle.

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

Since StableUSD is an ERC-20, transactions are public on the Ethereum blockchain. This is part of the transparency Stably seeks to provide.

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

The StableUSD smart contract has been audited.

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

We currently refresh gold prices every 60 seconds.

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

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

There are a couple common regulatory questions regarding stablecoins and cryptocurrency. First, is it a security? Since stablecoins by definition are designed to be stable, there is no expected return. For this reason, we do not believe StableUSD is a security.

Second, is it a commodity? After discussions with regulatory experts in this field, Stably does not believe StableUSD is a commodity.

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)**

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