Blockport

WHITEPAPER

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EXECUTIVE SUMMARY

Blockport is a hybrid-decentralized exchange with a strong focus on user-friendliness, social trading features and building a knowledge sharing community.

The team of Blockport firmly believes that - despite the recent developments in the world of cryptocurrencies - there still exists an enormous knowledge gap between the high-tech blockchain world and the majority of our society. In order to successfully share and support this fundamental technology and paradigm shift with our society, we will build a user-friendly portal where people can safely take part in this movement. The team of Blockport addresses five problem areas in this white paper that hinder beginner investors to adopt cryptocurrencies as valuable investment asset. These problems include lack of liquidity, security, transparency, usability and education.

Blockport aims to develop an end-to-end trading platform that addresses these problems by effectively combining proven technological, social and crypto economic concepts to create a completely new crypto trading experience. Additionally, Blockport will create its own Ethereum (ERC20) based token that acts as a functional token for members to pay for discounted trading fees and to utilize the social trading features in the exchange environment. Members can earn these tokens by engaging on the platform.

In early January 2018 the private pre-sale of the Blockport tokens (BPT) will be launched. This pre-sale round is accessible for a selected group of participants who are aligned with Blockport's mission and vision.
Pre-sale participants can apply for this private round by signing up on the Blockport website (www.blockport.io). Details about the exact pre-sale launch will be communicated privately.
For participants, a certain minimum amount of ETH is mandatory to participate in the pre-sale round.
Participants will benefit from a 33% BPT bonus in the pre-sale round.

The public crowdsale round will be planned in March 2018. Exact details about the crowdsale round will be communicated after the private pre-sale round has finished.

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1. INTRODUCTION

“A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution” are the first words of Satoshi Nakamoto in his world famous Bitcoin paper that he released in 2008 (1). Currently, it’s impacting the world’s dynamics of power and economics on an unprecedented level. Nakamoto’s paper was the start of a digitally native financial system that is secure, efficient and above all, decentralized.

However, looking at the largest Bitcoin and cryptocurrency exchanges today, they mostly exist out of centrally structured exchange entities. For example: Kraken, Bitfinex, Coinbase/GDAX, Poloniex, Bittrex, etc. all host their clients’ funds centrally. This provides traders with agility and liquidity, but this nullifies the fundamental trustless features of digital blockchain based assets. Moreover, most of these exchanges are designed for professional traders and lack an intuitive interface.

Despite massive growth in crypto markets, exchanges and other market intermediaries, it still is relatively complex and hazardous to buy, sell and store digital assets. Blockport addresses these problems by providing beginner and advanced traders, investors and institutions with a user-friendly crypto exchange that combines best practices from both centralized and decentralized trading platforms. Our intuitive trading platform reduces counterparty risk, transaction fees and vulnerability to fraudulent activities. We aim to provide liquidity, security, transparency and an improved user-experience.

Blockport is not just another Bitcoin or cryptocurrency exchange. In fact, Blockport aims to accomplish something far more interesting by tackling the key pain points of mass adoption: bridging the high-tech blockchain world with the “real” world, by offering an intuitive user-experience, social trading, and a knowledge sharing community. We firmly believe that these factors play a major role in the journey towards mass adoption of cryptocurrencies as a valuable asset class.

Blockport will create an Ethereum-based cryptographic token, the Blockport Token (BPT), which can be used to mediate in a vast array of exchange activities. It provides our members with premium services, social trading functionalities and can be used to pay trading fees.

Since Blockport wishes to become one of the leading crypto trading platforms, seamless integration with the current financial and regulatory systems is our top priority. The team of Blockport will ensure that the product and services it offers are fully compliant with the applied regulatory and legal requirements. Internally this means that Blockport closely works with Osborne Clarke’s lawyers to address the variation in legal requirements in which we may operate. Externally we maintain a close relationship with the Dutch financial regulators Authority Financial Markets (AFM) and the Dutch Central Bank (DNB) in the process of design, development and governance of our product and services. Blockport welcomes regulatory agencies

1. Satoshi Nakamoto (2008). Bitcoin: A Peer-to-Peer Electronic Cash System.

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to engage with our team and collaboratively build a future that benefits all societal stakeholders.

The company's legal entities and the core team of Blockport are based in Amsterdam, the Netherlands. Blockport's team consists of five core team members and three advisors. The team is diverse in nature and nurture. All have proven experience in the field of software engineering, financial technology and emerging technologies such as artificial intelligence and blockchain. Additionally, the team will be supported by experienced advisors in the fields of digital marketing, blockchain and smart contract development, regulatory compliance and cyber security.

In the next chapter we will describe a selection of challenges that arise when beginner and advanced investors want to invest in cryptocurrencies. A short projection on how Blockport aims to address these challenges is provided directly after every discussion and is extensively illustrated in chapter three.

2. CHALLENGES

In this chapter we discuss five fundamental problems that impose barriers for people to invest in cryptocurrencies. The first three problems stated below represent the technical limitations of current centralized and decentralized exchanges that partly form the barrier for people to invest in cryptocurrencies.

Lack of Liquidity: Makes it harder to trade and causes costs of investment to be higher because not enough people are buying and selling assets on the exchange.

Lack of Security: The highly liquid and most used exchanges are centralized exchanges that carry their customers' funds and have unfortunately proven to be extremely susceptible to internal fraud and external hacking.

Lack of Transparency: Aside from hidden liquidity costs, exchanges and especially brokers are not always transparent about the actual commissions and fees that are associated with a trade.

The remaining two problems stated below impose non-technical barriers that limit people in trusting and using current exchanges and broker services.

Lack of Usability: The user-interface (UI) of current exchanges highly reflect that it's built for professional traders and tech-savvy people.

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Lack of Education: Current solutions lack proper education and knowledge sharing functionalities that are necessary to help beginner investors and stimulate the overall adoption of cryptocurrencies as a valuable asset.

Collectively these five problems described above are imposing high barriers for the mainstream population to participate in the crypto market. Therefore, Blockport will be designed to overcome these barriers and facilitate in this exciting transition towards the new crypto economy. Blockport will achieve this by employing best practices from a socio-technical perspective that will effectively aim to address all problems described above.

2.1 Liquidity

Liquidity is an economic term used to express how easily you can buy or sell an asset without affecting the asset's price. Thus, when an exchange is illiquid it is difficult and therefore expensive to buy and sell assets, because not enough traders are buying or selling on the exchange. An exchange that suffers from illiquidity fails to provide traders with efficient pricing and fast settling of orders (2).

As the adoption of blockchain technology is vastly increasing, more crypto assets are being introduced by organizations across industries. Therefore, the need to exchange between these cryptocurrencies and tokens is also increasing. While the current trade volume of Ethereum and Bitcoin is hundreds of millions of U.S. dollars per day, the crypto asset class is still far less liquid than traditional markets. The main reason for this illiquidity is that the total value of the asset class is still relatively low (3). Additionally, the fragmentation of liquidity across many exchanges is not helping either. Exchanges around the globe have built their own micro markets, shielded from others, which causes the overall price of crypto assets to extremely differ between exchanges (4). This is a disadvantage for beginner investors but can be an advantage for experienced traders. Blockport will enhance liquidity by settling the exchange of members' assets within the internal exchange and effectively combining the aggregated liquidity across public exchanges.

2.2 Security

Despite the decentralized and trustless nature of cryptocurrencies, most of the trades happen on centralized exchanges that have unfortunately proven to be extremely susceptible to internal fraud and external hacking (5) . However, centralized exchanges do provide the most transparent and accessible liquidity in the crypto market today. For this to work, these exchanges have to carry and protect their users' funds, which makes them susceptible to hacking. This treacherous flaw has spurred the development of (partially) on-chain decentralized exchanges (e.g. EtherDelta, Waves & Lykke).

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2. The term liquidity is extensively explained at http://www.investopedia.com/terms/l/liquidity.asp
3. The total value of crypto assets fluctuates around $150 billion in August and September 2017, while the total value of stock markets is somewhere around $70 trillion. See coinmarketcap.com and The World Bank.
4. To learn more about fragmented market liquidity, see Multimarket Trading and Market Liquidity by B, Chowdhry & V, Nanda (2015). https://doi.org/10.1093/rfs/4.3.483
5. Multiple exchanges have been victims to hacking such as Mt.Gox, Bitfinex, Bitstamp and Bithumb with total losses exceeding a billion U.S. dollars in value.

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In contrast to centralized exchanges, decentralized exchanges do not carry the funds of investors, but work with a private on-chain wallet for every user. This means that a decentralized exchange leverages the advantages of blockchain technology. However, decentralized exchanges have not yet been able to match the liquidity of centralized exchanges (6) . The important tradeoff between security and liquidity is therefore very desirable to overcome.

Blockport will effectively balance this tradeoff by designing a hybrid system that ensures secure storage of members' funds by implementing a decentralized exchange architecture in combination with the integration of external centralized public exchanges that provide liquidity when necessary.

2.3 Transparency

Since the crypto trading volume is still relatively low and trading activities are heavily fragmented over multiple global exchanges, cryptocurrency values may extremely differ between exchanges. Therefore, it is hard to correctly assess the actual market price of a cryptocurrency or token. For example, prices of a Bitcoin may differ several hundreds of dollars between different exchanges (7). Additionally, commissions and transaction fees are often concealed. Brokers tend to show a market price that is not consistent with the average actual market price resulting into higher commissions paid than is initially visible to people (8). Lack of transparency of pricing and fees decreases trust in the complete crypto ecosystem and increases the barrier to adoption for people that are new to the crypto market.

Blockport brings transparency to this ambiguous market by continuously analyzing market prices across multiple exchanges and is therefore always able to show and provide the best market price of crypto assets.

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2.4 Usability

As the crypto ecosystem is vastly expanding, new points-of-purchase such as exchanges and brokers emerge. Since the newly created asset class is relatively young and accommodates innovative blockchain technology, the UI of current solutions in the market clearly reflect the technical approach used to build them. Meaning that the UI is in most cases far from user-friendly. Winning over the mainstream requires a solution that is easy to handle and that expresses trust. However, most of the established exchanges provide a single UI that is clearly built for professional traders and tech-savvy people. Moreover, they offer a one-size-fits-all solution for every type of user, from beginner to advanced (9).

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6. "Unfortunately, decentralized trading platforms still lack the commodity, easy of use, and overall "user support" to attract a mainstream user base. Therefore, the liquidity and market depth of these exchanges is still quite low." (Loi Luu, CEO KyberNetwork) https://www.coindesk.com/solving-liquidity-challenge-decentralized-exchanges/
7. While crypto assets are cross border in nature, prices differ the most between exchanges that are based in different countries as can be seen on coinmarketcap.com.
8. Research by Blockport reveals that most of Dutch Bitcoin brokers aren't transparent about transaction fees due to displaying a higher Bitcoin price than the actual market price. This results in actual fees fluctuating between 3% and 8% without customers being aware
9. Typical examples of UIs made for tech-savvy people are EtherDelta and Bittrex.

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Most crypto exchange UIs show complex trading analytics and a live order book with flashing bid and ask orders. As a result, non tech-savvy users may be overwhelmed by the vast array of features that he or she has to master. Aside from the complex UI, there may already exist a lot of uncertainty and anxiety in people's minds due to the volatile nature of the crypto market. Therefore, adding more ambiguity by not taking usability and user-friendliness into account is imposing barriers for mass market adoption.

Blockport is building a state-of-the-art hybrid exchange system while keeping an extreme focus on usability and user-friendliness. Blockport's user-centric design approach ensures an intuitive user experience, tailored to address different types of users. As a result this will open up the door to the crypto economy for everyone.

2.5 Education

As the In this new volatile market where information is highly spreaded, the need for discussion and to learn from experts and peers is high. Exchanges and brokers alike act as gateways for accessing cryptocurrencies and tokens. Unfortunately, they merely provide access to trading this new asset class and often lack to provide clear knowledge to educate people about the crypto assets, economics and technology.

Education and knowledge sharing is of the essence to trigger people's intrinsic interest, engagement and successfully facilitate the adoption of new technology (10) . Blockport recognizes its responsibility to not only provide a state-of-the-art product but also integrate knowledge-sharing and social trading functionalities so that our members can learn and share crypto economic knowledge. Blockport will host a knowledge base and an interactive forum where beginners and experts can come together to share ideas and knowledge regarding crypto investments.

Secondly, Blockport enables members to contact our customer support 24/7 through live chat and email. Thirdly, as part of the extensive Blockport user-experience, social trading features will be build into the system to enable members to publicly share their crypto portfolio with the Blockport community. Moreover, members can automatically 'copy' this publicly shared portfolio by paying the sharing member BPT as a reward.

10. Dewar and Dutton (1986) found that sufficient knowledge and available resources are required for successful adoption of radical new technologies. See Dewar, R.D. & Dutton, J.E. (1986). Adoption of Radical and Incremental Innovations: An Empirical Analysis. Management Science, Vol. 32, No. 11, pp. 1422-1433.

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3. THE BLOCKPORT SYSTEM

The problems discussed in the previous chapter all affect the overall degree of trust to some extent, which hinders the mainstream adoption of cryptocurrencies in our society. With a premature technology like blockchain and smart contracting, the overall public's level of trust is still relatively low.

Therefore, it is our mission to create a platform that functions as an intuitive portal between the current financial system and the new digital blockchain-based economy. We will achieve this by developing an end-to-end trading platform that enables everyone to be part of this global value network. Currently, the process of buying, selling and storing of cryptocurrencies is still highly fragmented and complex. Current crypto initiatives are trying effortlessly to achieve the level of trust that established financial institutions possess today.

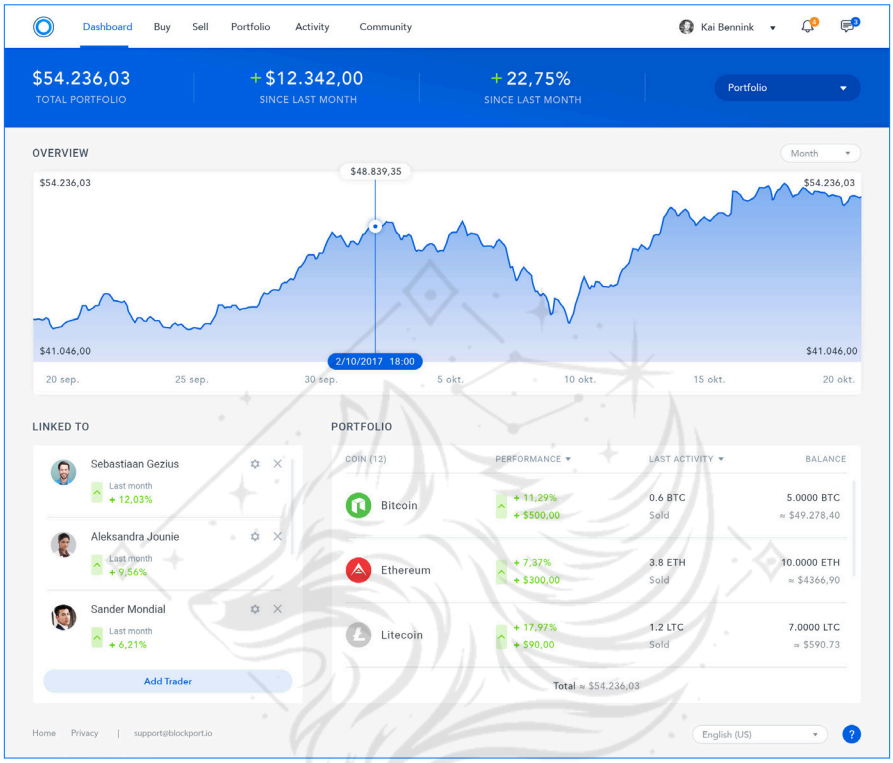
Although the potential of this new digital paradigm is sky-high, there still is a lot of room for improvement. In this chapter it's described how Blockport exactly solves the problems that are identified in chapter two by providing a description and visualization of our hybrid-decentralized exchange platform. The solution is explained as detailed as possible, however, developments in the crypto space are progressing so rapidly that it is desirable and wise to leave certain lower-level specifications as open as possible in order to ensure technological agility in the future.

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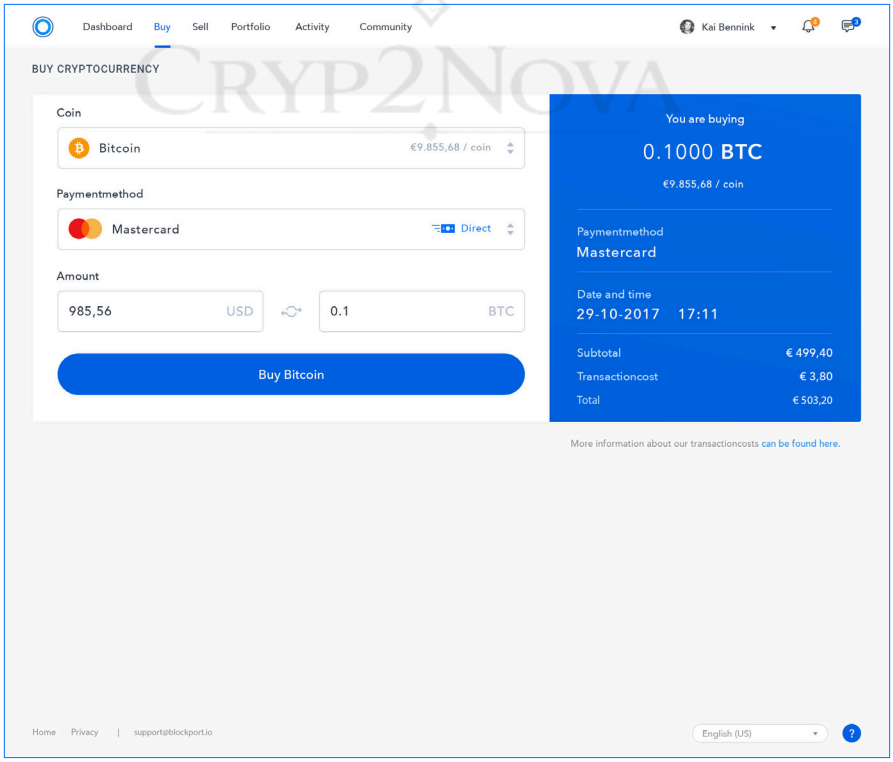
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3.1 User-Interface Design

In this section, a small selection of the Blockport UI designs is displayed below. These designs contain views of the dashboard and trade portal. More designs are released through our communication channels.



Blockport Dashboard

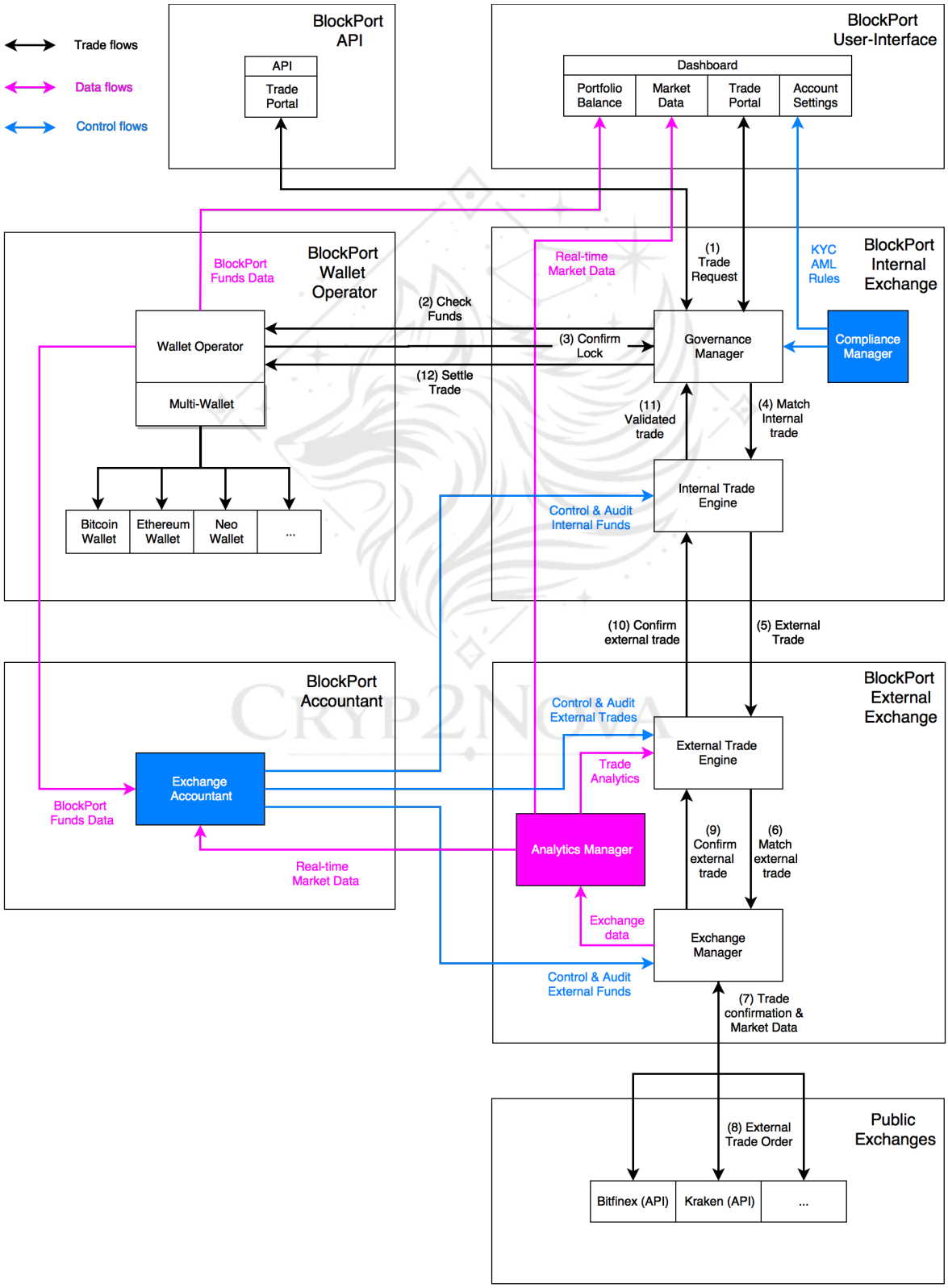


Blockport Trade Portal

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3.2 Functional Design

Although the user-experience of Blockport will feel smart and simple - all the hard work will be done in the back-end. This section describes and visualizes the complete high-level functional design of the Blockport exchange.



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3.2.1 User-Interface

All Blockport members interact with the exchange through the user-friendly UI. As pointed out in the first part of this whitepaper, the UI will be designed in such a way that it addresses different user profiles. These user profiles range between beginner crypto investors and semi-advanced crypto traders. In general, the user experience will look and feel: simple, smooth, smart and intuitive. Members will be able to switch between a simple and advanced UI. The exact design of these two different UIs will be based on extensive A/B testing among Blockport's early users.

The UIs fundamental functions include: *portfolio balance, market data, trade portal* and *account settings*. The portfolio balance shows members' current *portfolio balance* and is based on real-time market data. Buy and sell trades from fiat to crypto, crypto to crypto [11] , and crypto to fiat, can be done through the *trade portal*. Additionally, the *trade portal* will assist members in making a correct buy or sell trade. This means that members will be advised on the amount and price of their crypto investment to ensure transparency and healthy investment decisions.

3.2.2 API

The *Blockport API* enables external parties to connect with the *Blockport Exchange* Operator and place trade requests (1).

3.2.3 Internal Exchange

All trade requests (1) will run through the *Governance Manager*. This ensures that members' accounts and orders are valid and compliant with internal and external rules and constraints. The *Compliance Manager* will ensure that regulatory Know Your Customer (KYC) and Anti-Money-Laundering (AML) requirements will be updated and correctly installed in the *Governance Manager* and *Account Settings*.

Besides rules and constraints, the *Governance Manager* will validate trade requests and lock available funds when necessary. When a trade request is correctly validated (2), the *Governance Manager* will order the *Wallet Operator* to lock members' funds (3). This will allow the *Internal Trade Engine* to match internal trades (4) safe and secure. To protect members from frontrunning, the matching of orders is shielded from the outside world by using a private order book and only made public when they are completed [12]. When a trade request cannot be matched internally, the *Internal Trade Engine* will send the trade order (5) to the *External Trade Engine* for external order matching. When a trade request can be partially filled internally, the residual order will be send out to the *External Trade Engine*. Orders that are filled by the *External Trade Engine* will be received and combined (9) by the *Internal Trade Engine* to validate the total matched order (11). Finally, when the complete order is correctly validated, the funds will be settled in the *Wallet Operator* (12) and broadcasted to the chain.

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11. Tradeable crypto assets are carefully selected on demand, asset characteristics, liquidity and regulations.
12. To learn more about front-running and how it was revealed in the bancor protocol see: https://hackernoon.com/front-running-bancor-in-150-lines-of-python-with-ethereum-api-d5e2bfd0d798

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3.2.4 Wallet Operator

Members' funds will be settled and stored (12) in the designated blockchain wallets. The individual wallets will be tracked in the *Multi-Wallet* and managed by the *Wallet Operator.* The Blockport *Wallet Operator* will run a node for every blockchain that is supported in the exchange. This enables the effective reading and writing of transactions to the blockchain network. Every member will be able to create a personalized contract address via the *Wallet Operator* for every supported cryptocurrency or token.

The crypto wallets that are used in the Blockport Exchange are basically a trustless and decentralized digital wallet that will hold their funds in a non-custodial manor. The Blockport *Wallet Operator i*s a manager that links members' wallets on multiple blockchains through the *Multi-Wallet*. It has custom features in order to perform exchange activities such as funds checking, locking and settling.

In the process of setting up an order that is signed and validated by the *Governance Manager*, the *Wallet Operator* will lock members' funds (3) in order to ensure an atomic swap of ownership [13].

If the order fails in the process of internal or external matching, the system will automatically revert the funds back to members' wallets. When the order is successfully matched internally or externally, the completed order will be settled (12) and members' funds will be unlocked.

3.2.5 External Exchange

The *External Trade Engine* will receive unfilled orders from the *Internal Trade Engine* (5) and decides how to distribute these orders in terms of size and time. Additionally, it will execute these external trades as efficient as possible on the *External Exchanges*.

The *External Trade Engine* will optimize its decisions based on the available liquidity and additional transaction costs. The *External Trade Engine* receives the required trade information from the *Analytics Manager*. Additionally, the *Analytics Manager* also determines the corresponding volatility risk of every trade, which will be communicated to the *Exchange Accountant*.

The *Exchange Manager's* job is to translate the received trade requests to actionable API orders. The *Exchange Manager* will facilitate the communication with *External Exchanges* through APIs. Additionally, it communicates order state changes upstream with the *Blockport Accountant, Analytics Manager* and the *External Trade Engine*. The *Analytics Manager* monitors the *External Exchanges* for available liquidity by scanning their order books in real-time. Moreover, it calculates the expected transaction costs of every supported trade pair by volume and direction. It shares this information with the *External Trade Engine*, *Blockport Accountant* and the *Blockport UI*.

13. Atomic cross-chain trading is one where (at least) two parties, Alice and Bob, own coins in separate cryptocurrencies, and want to exchange them without having to trust a third party (centralized exchange).

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3.2.6 Accountant

The *Blockport Accountant* is there to perform trade and trust intermediation. It tracks members' funds throughout the entire trade and settlement process. This functionality is important so that the exchange can partially fill members' orders without having to settle multiple trades. This ensures members' order privacy, reduces transaction costs and allows members to experience an atomic swap of funds.

In order to intermediate effectively, the *Blockport Accountant* will need to track and monitor all active orders in the settlement process to cover the complete finality of a transaction cycle. This cycle will be volatile due to possible network delays. Therefore the *Blockport Accountant* will measure and govern the overall risk of settlements. It is responsible for balancing the crypto and fiat assets that are necessary to perform the real-time trades. The *Analytics Manager* will provide the *Blockport Accountant* with an ideal distribution of assets to effectively balance Blockport's exposure and trade flows.

Additionally, the *Blockport Accountant* will communicate with the *Blockport Wallet Operator* and the *Exchange Manager* to ensure a live feed of cash positions throughout the entire *Blockport Exchange.*

Besides managing asset flows, the *Blockport Accountant* will also manage the cold storage of inactive funds to minimize exposure. The amount of funds that will be cold stored is relatively low in the beginning, due to low liquidity. However, when the number of active members increase - volume and liquidity will increase - which will allow us to increase the cold storage ratio.

3.2.7 Security Measures

It is essential to ensure secure communication between the functional entities described above to assure a robust system. We value our members' trust in us and our ability to offer a high quality service. Therefore, we take the following measures to secure our services:

- We encrypt all communication over the internet allowing only HTTPS, using settings like HSTS, properly chosen CORS settings, CSRF protection and carefully chosen SSL settings.

- We secure the API's we build using tokens, with expiry.

- We secure our cookies, using flags like 'Secure', 'HttpOnly', 'SameSite' and proper expiration.

- In terms of secure communication between public and private nodes, we only allow carefully chosen SSL ciphers and key exchange algorithms, while keeping tabs on developments and vulnerabilities around information security. We also use client certificates internally to enable secure communication, even in our private network. This means that data is not sent over an unencrypted network connection, even in our private infrastructure.

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- We carefully choose our firewall settings and network topology, to separate and compartmentalize risks where possible without compromising usability and testability. This enables us to allow traffic we trust, while blocking untrusted traffic.

- Additionally, we pay attention to OWASP updates, including mailing lists and other resources that enable us to stay on top of new vulnerabilities and/or patches (think BEAST, CRIME, KRACK etc).

- We do regular audits including penetration tests, load tests and code reviews with independent parties to ensure consistent security of our platform.

- We have DoS protection in place to protect us against common DoS attack strategies, and monitor our systems continuously. We also have a schedule that allows our team to be on call 24/7, if anything happens.

- We use a KMS for key rotation and organization of sensitive data.

- Of course, we regularly review OWASP top 10 releases (2017) ourselves. We value consciousness of risks inside our organization, as this is the the best structural way to reduce risks in a consistent manner.

Please note that these measures are only a part of all security standards we implement in practice. We handle a more elaborate protocol internally, but the above provides a general overview.

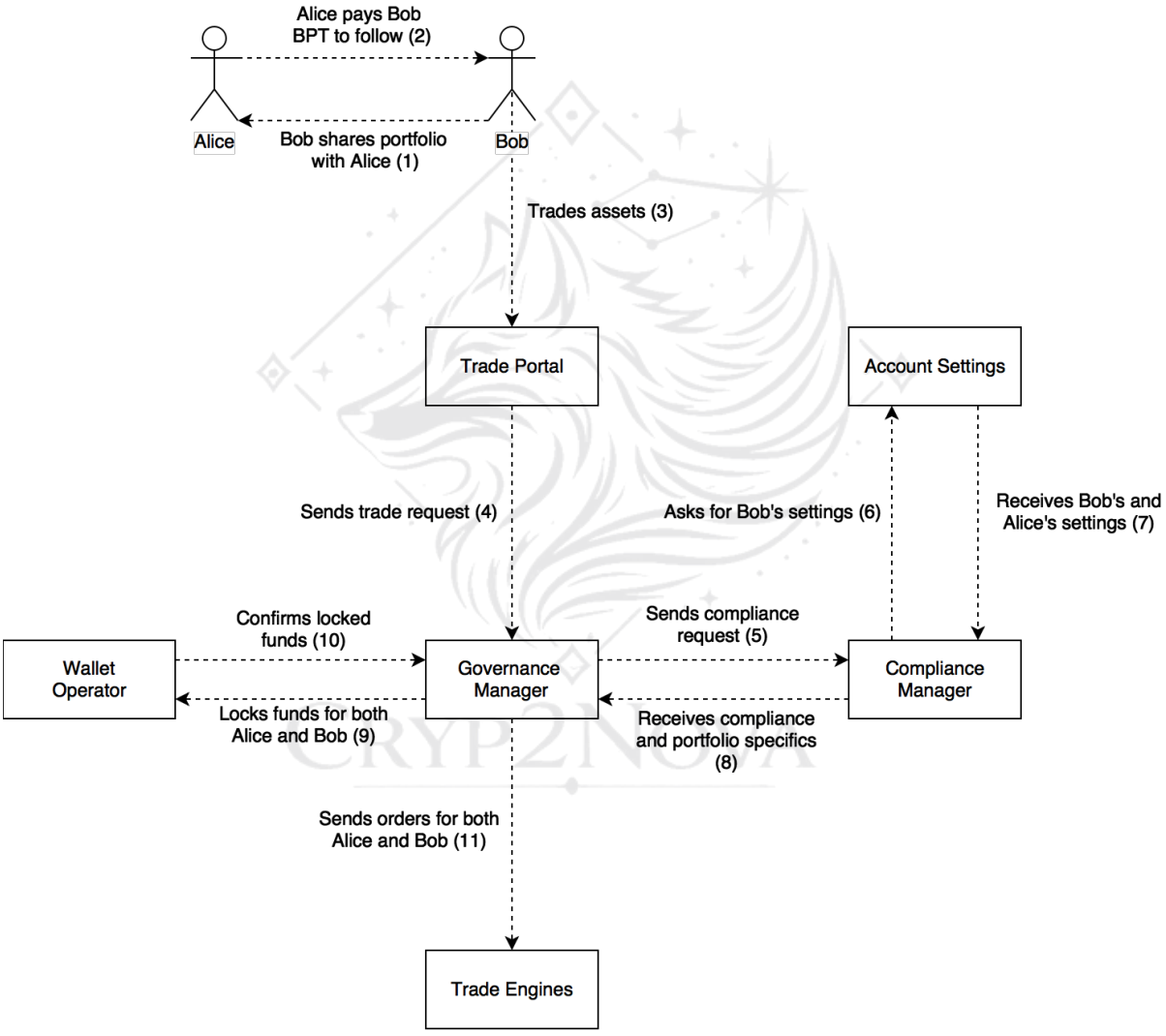
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3.3 Social Design

3.3.1 Social Trading

The Blockport social trading platform allows members to connect with other traders, discuss investment strategies and automatically copy each other's portfolio. This means that a beginner investor 'Alice' can copy the portfolio of an experienced trader 'Bob'. The following figure shows the functional process within the Blockport environment when members use social trading features.



1. Shares his portfolio with other members.

2. Beginner investor 'Alice' finds experienced trader 'Bob' on the Blockport platform and decides to follow Bob and copy his trading activities. Alice decides on the amount of her portfolio that is allocated to copy Bob's portfolio. Alice pays Bob in BPT for following his portfolio.

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3. Bob spots a trading opportunity and makes a trade through the ***Trade Portal***.

4. The ***Trade Portal*** sends the trade request to the ***Governance Manager*** that is going to prepare the trade.

5. The ***Governance Manager*** sends a request to the ***Compliance Manager*** to validate if Bob and his followers have the correct credentials to make trades.

6. To confirm if Bob has any followers, the ***Compliance Manager*** asks for Bob's account settings. If Bob has portfolio sharing enabled, the ***Compliance Manager*** will automatically receive the account settings of his followers.

7. Since Alice is following Bob, the ***Compliance Manager*** receives the settings of both accounts and validates if both accounts are compliant.

8. If both are compliant, the ***Governance Manager*** receives a 'go' and also receives the specifics of the portfolio settings of Alice. These settings indicate the amount of Alice's portfolio that is allocated to follow Bob's activities.

9. The ***Governance Manager*** will accordingly lock funds in both Alice's and Bob's wallets.

10. The ***Wallet Operator*** confirms that the funds are locked.

11. The final trade orders for both Alice's and Bob's accounts are sent to the ***Trading Engines***.

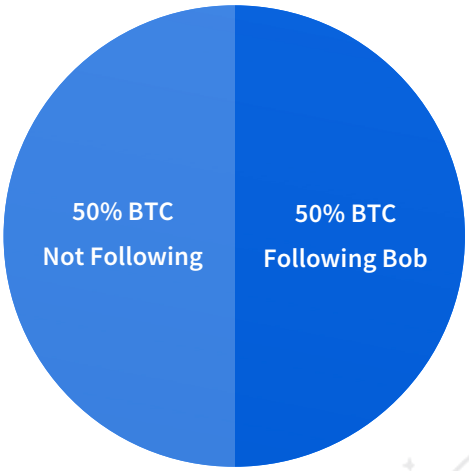
The above visualization outlines the processes that are executed when a member with portfolio followers places an order within the Blockport Exchange. The following section shows the dynamics between Alice's and Bob's portfolio's when trading, and gives more understanding of how social trading works in practice.

When Alice decides to follow Bob, she has to set an amount of her portfolio that is going to follow Bob's trading activities. In this example, Alice's portfolio consists only out of Bitcoin (BTC) and she decides to allocate 50% of her portfolio to following Bob. Alice accepts the terms and conditions for following Bob and automatically pays a small amount of BPT to Bob. Bob's portfolio also consists out of 100% BTC before he makes a trade.

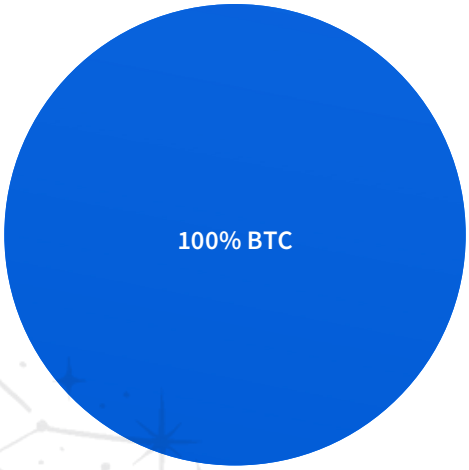
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Before the trade

Alice:



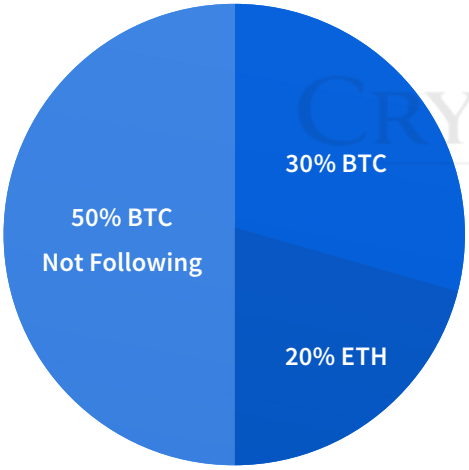
Bob:



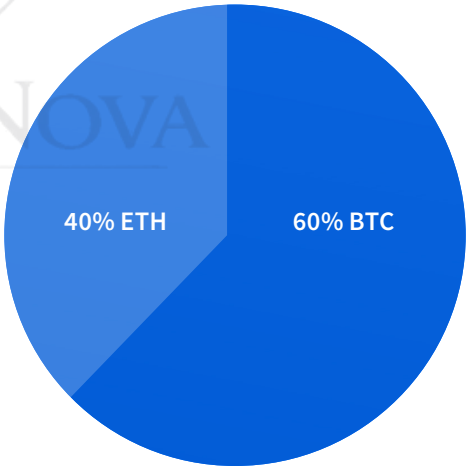
Bob decides to trade 40% of his BTC for Ethereum (ETH) and makes a trade through the Trade Portal. Alice has allocated 50% of her total portfolio to follow Bob and thus her account will automatically make trades relative to Bob's trades so that Alice trades 20% of her total BTC for ETH.

After the trade

Alice:



Bob:



After the trade, Bob's portfolio has changed from 100% BTC to 60% BTC and 40% ETH. Due to the 50% of Alice's portfolio that wasn't following Bob, her portfolio respectively changed to 30% BTC and 20% ETH. This example describes the basic fundamentals of following an other member's portfolio.

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3.3.2 Knowledge Sharing

The team of Blockport recognizes the responsibility to educate its members regarding all facets of the crypto trading process. Therefore, we offer our members the following features to learn and share knowledge with each other in our exchange environment.

Blockport will host a knowledge base where members can find information about frequently asked questions regarding cryptocurrencies and trading. This knowledge base will act as a repository that will be updated frequently to serve as Blockport's first aid. Additionally, Blockport members will be able to contact the customer support through live chat and email. This live chat functionality will be incorporated into the exchange environment so that members can ask the Blockport customer support for instant help during the crypto trading process.

Secondly, members can 'ask a question' to other Blockport members on the Blockport community page. This community page will have similarities with the worldwide known Q&A platform: Quora. This stimulates experienced Blockport members to help each other and curate the best answer.

As part of the 'Social trading features', we offer members that follow each other to chat with each other and share insights about their trading strategies. This will greatly stimulate the social interaction and engagement on the platform. High performing traders will develop an expert status and share their knowledge and insights exclusively with their followers.

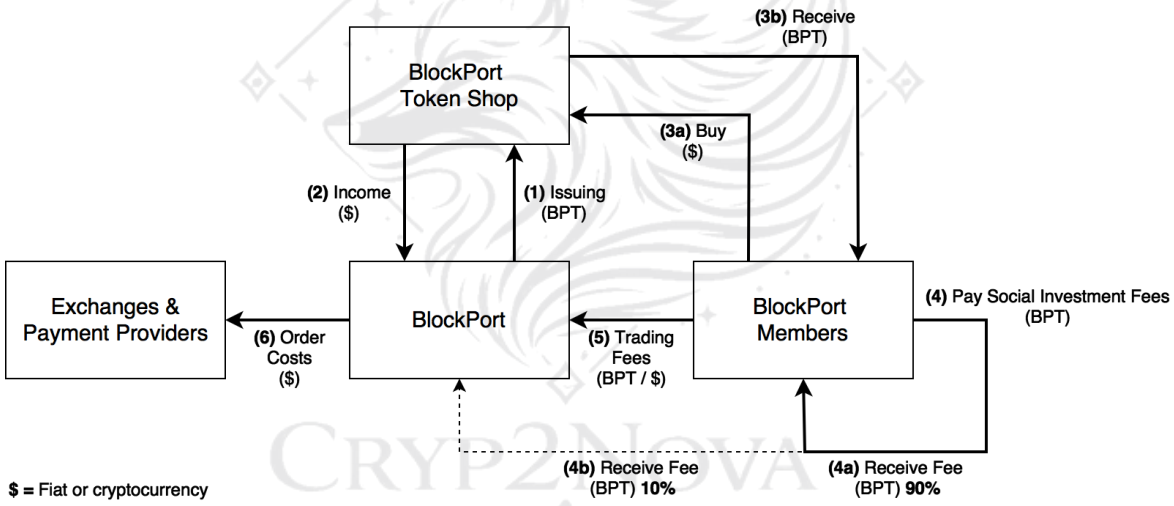
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4. TOKEN MODEL

The Blockport Token (BPT) is an Ethereum (ERC20) based token that includes multiple functionalities within the Blockport ecosystem. The Ethereum Blockchain is currently the biggest platform that supports the creation of tokens and thus allows BPT to seamlessly interact with other ERC20 tokens. Members can exchange BPT for premium services, discounted trading fees and social trading functionalities.

Due to the creation of an internal microeconomy, the entire value of the system grows when the number of users increases. Additionally, the value of the system increases by incentivizing members to use BPT for the payment of trading fees and social trading functionalities. This chapter unveils the crypto economic mechanisms and utility of BPT.



The crypto economic mechanisms of BPT are visualized in the figure above and work as follows:

1. Blockport releases BPT from the reserve and sells them to members through the Token Shop.

2. Blockport will receive income in fiat or crypto for selling BPT in the Token Shop.

3. Members can buy BPT at the Token Shop at all times. Tokens are sold to members that wish to fill their stock of BPT and are paid with fiat or cryptocurrency. This causes an upward pressure on BPT demand.

4. Blockport creates a microeconomy where members can pay other members in BPT for copying their crypto portfolio. A large part (90%) of this fee is received by the portfolio-sharing member, and the remaining (10%) of the fee represents the amount received by Blockport for facilitating the social trading

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service. The social trading token utility causes an upward pressure on BPT's demand, and the social trading fee received by Blockport causes a downward pressure on BPT's supply.

5. Members can use BPT to pay for discounted trading fees. Discounted trading fees causes an upward pressure on BPT demand.

6. Order costs are mainly covered by income received from collected trading fees from members. Trading fees can be paid in BPT, fiat or cryptocurrency. Additional income is received from token sales and social trading fees.

4.1 Token Utility

The Blockport Tokens are utility tokens that members can hold or consume within the exchange, and thus derive their entire value from services provided by the Blockport platform. The tokens are not intended for speculation and do not represent company shares or any claim in decision making of the company. BPT are not securities and are thus not associated with future revenue streams or values other than derived from platform usage. Members are therefore always able to earn BPT by engaging on the platform and are not obliged to buy BPT directly on the markt. The exact functionalities of BPT within the platform are described in detail below.

4.1.1 Trading Fees

When members place an order to trade assets, they are charged with a transaction fee as a percentage of the total order volume. This percentage covers the order costs of the internal and/or external trade and includes the Blockport transaction fee. The transaction fee can be paid in native transaction currency or with BPT. Members who pay transaction fees with BPT will benefit from a discount. In order to determine the transaction fee that members pay with BPT, the conversion rate between BPT and other crypto assets is updated frequently. The amount of discount members receive is also dependent on order size. This approach will also properly reward all members who help grow the ecosystem. Incentivizing members to pay for discounted trading fees with BPT ensures a healthy growth of the system's total value. However, the discount rate always have to conform to covering Blockport's order costs to ensure sustainable growth such that:

Discount value <= Blockport transaction fee

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4.1.2 Social Trading

Another primary functionality of the Blockport Token is that members can reward other members who publicly share their portfolio within the Blockport exchange environment. Blockport hereby creates a microeconomy where members can spend their BPT to learn from other members. These ‘eToro’ inspired functionalities include the option to follow other members’ investment strategies by copying their portfolio decisions automatically. Members who publicly share their portfolio can earn BPT as a reward. For beginner investors this opens up the opportunity to learn from experienced and successful crypto traders. Additionally, it enables experienced traders to benefit from the expertise they have developed. However, Blockport imposes a maximum amount of followers that a member can have to effectively counter market manipulation.

For people who enter the market there is a vast choice regarding crypto assets to invest in. Most crypto assets have complex technological features which makes it hard for beginner investors to digest. There are, at the time of writing, 1200+ crypto assets listed in the public crypto market. Therefore, the need to follow experts - and the ability to leverage their knowledge - is high. Blockport allows members to copy other members’ portfolios and benefit from their expertise. Spending BPT for social trading functionalities causes an upward pressure on demand.

5. TOKEN SALE

Blockport will set up a private and public round of Token Sales in order to provide and reward early users of the Blockport platform with BPT, which they can spend on transaction fees or social trading functionalities. In this section an extensive description of the token sale is provided that will explain when certain events will be planned and how Blockport is planning to use the funds that proceed from the Token Sales.

5.1 Token Fundraising

The total amount raised in the Token Sale will be communicated on the Blockport website. The total includes both the pre-sale and crowd sale rounds. Participants in the pre-sale round are selected partners, private investors and venture capitalists that play an important role in the development of our product and services. These commitments may include providing reserves to ensure liquidity for the exchange, connect the exchange with 3rd party services, promote the application or token launch and introduce valuable assets. Participants in the pre-sale round are obliged to buy a minimum amount of ETH that will be communicated prior to the pre-sale round. Additionally, participants in the pre-sale round receive a 33% bonus.

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The public Token Sale does not impose a minimum amount. The actual rates expressed in ETH will be communicated on the Blockport website and Telegram Community.

The Token Sales will only accept ETH and all unsold tokens in the private and public sale will be burned.

5.2 Token Distribution

A maximum amount of 69,440,000 BPT will be minted, never to be increased. The token distribution will be as follows:

- No more than 49,600,000 BPT will be minted for the Token Sale in our private and public rounds combined. Therefore, 71,4% of the total BPT supply is allocated to participants in the Token Sale rounds.
- 14,3% of the total BPT supply will be reserved for the team, advisors and early seed investors.
- 10% of the total BPT supply will be reserved for the company's Token Shop.
- 4,3% of the total BPT supply will be reserved for the community, services provided by 3rd parties, and bonus allocations.

5.3 BPT Vesting Plan

The tokens for the team, which represent around 5-10% of the total tokens, will be fully vested in 3 years as shown below.

Initial release: 25%
After 1 year: 25%
After 2 years: 25%
After 3 years: 25%

5.4 Use of Funds

Besides our need to cover business and development costs, we also need funds for creating trade reserves to act as a settlement buffer between the different trade elements and external exchanges. Moreover, we need these reserves to provide operational risk intermediation. It is essential to allocate a large proportion of the funds to a trading reserve as it guarantees the liquidity of the platform.

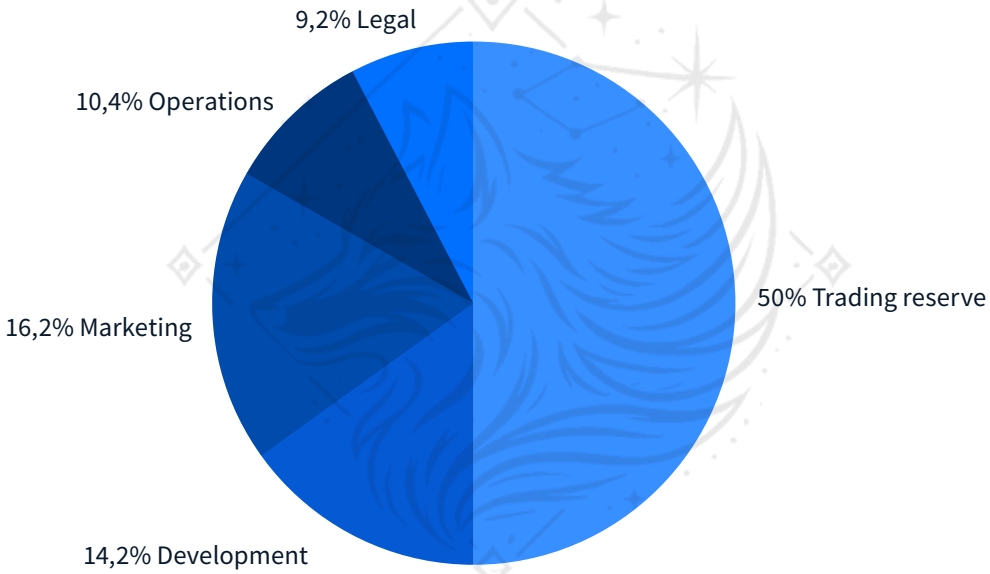
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Therefore we plan to distribute the funds generated in the Token Sale rounds to:

- 50% to a trading reserve that is managed by the Blockport exchange accountant.
- 14,2% for the development of Blockport version 2.0 and 3.0.
- 10,4% for business operations and maintenance of the Blockport exchange.
- 16,2% for marketing costs such as design, content, advertising and community building.
- 9,2% for legal & regulatory compliance costs such as contracts, licenses and research.

Use of funds:



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Funds generated in the private round of the Token Sale will mainly be used to cover initial startup and marketing costs to prepare for the public sale.

5.5 Blockport Token Participation

The Blockport token sale is executed in two stages. The first stage is an exclusive pre-sale round for a selected group of participants. Everyone can sign up for this round on the Blockport website, however, only whitelisted participants will gain access. In the pre-sale, the maximum amount to be raised is set to €1M worth of ETH.

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The maximum ensures that there are no single parties that hold a significant large amount of tokens prior to the public sale. The pre-sale will start the 3rd of January 2018 and will last two weeks or until the cap is reached. In the first stage a seed investment is collected to cover the operational costs of promoting, developing and running the Blockport exchange. Additionally, funds will be allocated to set up and promote the launch of the second stage of the Token Sale, which is planned on the 24th of January 2018 15:00 CET. The second stage is a public crowdsale where a maximum of 71,4% percent of all the Blockport tokens are sold and participation is accessible to everyone. More detailed information about the second stage will be released after the first stage (pre-sale).

6. ROADMAP & DEVELOPMENT

6.1 Whitepaper (Q4 2017)

- Whitepaper release
- Community building
- Development & Audit of token sale contracts
- Development of Alpha prototype

6.2 Pre-Sale (Q1 2018)

- Start of pre-sale on the 3rd of January
- Launch of Alpha prototype
- Start of crowdsale on the 24th of January
- Launch of Blockport 1.0 Beta in March
- Implementation of the knowledge sharing platform

6.3 First release (Q2 2018)

- Blockport 1.0 full release, supporting: Bitcoin, Ethereum and several other tokens
- Blockport 2.0 Beta release (Exchange of Exchanges)
- Social trading features

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6.4 Second release (Q3 2018)

- Blockport 2.0 full release, supporting 50+ cryptocurrencies and tokens.

6.5 Third release (Q4 2018)

- Blockport 3.0 Beta release, supporting 100+ cryptocurrencies and tokens.

6.6 Fourth release (Q1 2019)

- Blockport 3.0 full release (Hybrid-decentralized Exchange), supporting most popular cryptocurrencies and tokens.

6.7 Blockport Versions

There are three different versions of the Blockport exchange planned in the development roadmap above. Each version brings more decentralization to the Blockport exchange.

Blockport 1.0: is the first version that uses an external exchange architecture and will be integrated with one exchange. This version will support Bitcoin, Ethereum and several ERC20 tokens. It will have the same user-friendly look and feel as the sequent versions. This is the first commercial version of the Blockport exchange accessible to the public.

Blockport 2.0: is the full version excluding the decentralization of members' funds. It will be integrated with multiple exchanges and is equipped with more complex trading algorithms. Both the knowledge sharing platform and social trading features are implemented in this version. All popular cryptocurrencies and most of the ERC20 tokens are supported.

Blockport 3.0: is the full version combining both the external and internal exchange architecture, which is named as the 'hybrid-decentralized exchange'. In this version members' funds will be stored completely decentralized on the blockchain. Most cryptocurrencies and tokens are supported in this version.

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6.8 Motivation

The reason why Blockport starts with building a centralized exchange that extends into a decentralized internal architecture is due to several circumstances. First of all, Blockport needs to be up and running as fast as possible to become a healthy company generating revenue and to learn from its users, stakeholders and the global blockchain community.

Secondly, much research and development is still required to improve the speed and liquidity of decentralized exchanges. Current decentralized solutions aren't yet providing what's promised. Thus, to provide customers with fast settling of orders, a centralized mechanism to settle orders is still needed. The hybrid set-up allows Blockport to simultaneously provide a consumer facing product and to work on decentralized exchange technology, utilizing a best of breed approach.

In release one and two, customers will not themselves hold the legal title to the cryptocurrencies. In order to ensure the safety of our members' funds, they will be held by Stichting Custodian Blockport (SCB) in an 'omnibus account' whereby the SCB acts as legal owner of the cryptocurrencies. The assets of SCB are legally segregated and as such protected from insolvency of Blockport Holding B.V. and Blockport B.V. Additionally, members' funds are always stored safely by holding funds in offline wallets as much as possible. With the release of Blockport 3.0, the funds of our existing members are automatically migrated to on-chain wallets.

7. TEAM

7.1 Core Team

Sebastiaan Lichter
Founder and Chief Product of Blockport. Sebastiaan is an innovation manager who has worked for Independer (largest Dutch insurance platform) on the implementation of an AI-driven chatbot that compares insurance products for clients. He also worked at the consultancy firm XL Family, where he was involved in several innovation projects for corporate clients such as Delta Lloyd and Aegon.

Sebastiaan is a crypto investor and entrepreneur in digital technologies who's passionate and creative mind excels in bringing together the world of technology and business. He is specialized in IT and carries several University degrees in the area of technology management from the University of Groningen and the Amsterdam Business School. Besides being a hands-on entrepreneur, he is a driven athlete who trains every day of the week and believes that having a healthy body and mind is key to success.

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Kai Kain Bennink

Founder and Chief Strategy of Blockport. Kai carries a background in business and technology from the University of Groningen and Delft University of Technology, where he specialized in IT and emerging technologies, such as Artificial Intelligence and Blockchain. He recently graduated at IBM where he investigated the impact of Artificial Intelligence on the Dutch banking sector. For this project he collaborated with the three largest traditional banks in the Netherlands: Rabobank, ABN Amro and ING.

Parallel to his academic activities, he has always been active in different sectors such as manufacturing, (private) banking, governmental agencies and digital marketing. His strong suit is the combination of EQ and IQ, which allows him to bring together a broad range of talented people and develop a strong sense of team coherence to effectively achieve goals.

Besides being a passionate crypto investor and blockchain enthusiast, he loves to train, spinning, cross-fit, snowboard and wakeboard. He claims that finding the right balance between sports and work challenges is absolutely necessary to develop and maintain a productive mind.

Zowie Langdon

Partner and Chief Technology of Blockport . Zowie has over 15 years of experience in software development and has studied software engineering and philosophy. He is an operationally skilled full stack engineer and lover of learning. Through his companies Luminum Solutions and his involvement in Blockport, Zowie seeks to explore and understand everything about tech, data and business.

Zowie loves open source software and has worked on various innovative applications and other large systems for both start-ups, scale-ups and corporates. In several projects Zowie acted as lead developer and has built scalable, high frequency systems together with his team. Just as Laurens, he strongly believes in scalable and modular architecture to effectively build modern solutions.

Spiros Mantadakis

Partner and Chief Design. Spiros has a strong background in design and at early age started an innovative media and development agency where he delivered innovative solutions for digital products, e-commerce, cloud infrastructure and web development. For the last seven years he has operated as an entrepreneur. During this period he has been active in several sectors ranging from digital marketing to banking and governmental bodies with a strong focus on Customer Experience and Virtual Reality.

Now Spiros is an experienced UX consultant and partner at Well Global innovations. He is responsible for the UX/UI in multiple innovative projects, for clients such as ABN AMRO Bank, NIBC Bank and the City of Amsterdam. He has also incorporated his knowledge of UX in projects in the Middle East. Spiros utilizes a customer-centric design approach and uses his expertise to design sophisticated and user-friendly applications used by many people around the globe.

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Pascal van Steen

Pascal is passionate about growth and has helped several startups raise funds to grow their business. He was the head of growth during the Travis the Translator campaign and managed the team in their marketing efforts to raise $80K and eventually raised $628K at the end of the campaign and getting covered in 1,200+ publications.

As an enthusiast of new technologies, Pascal grew an interest in the blockchain environment. Since then he has successfully helped several blockchain startups set up their marketing efforts to raise funds during their ICOs. Pascal is an experienced marketer, having several corporate clients and startups in his portfolio. He also regularly hosts meetups for growth marketers in Amsterdam with his community Growth Hacker Talk.

Gino Taselaar

Gino is a data driven growth marketer with a key specialisation in driving user growth and product adoption within the platform economy space. He has worked as lead growth marketer at Eventerprise, the fastest-growing events platform in the world, where he applied his growth expertise to an investor-relations project, helping the startup secure $400k in seed investment.

He has also been responsible for growth at VanHack, a startup that's disrupting the traditional model of career-relocation and hiring, where he scaled up their 110k developer platform. On top of these projects, he has also facilitated and overseen growth for a variety of startups in the B2B enterprise software branch.

Gino is a firm believer in the blockchain technology that currently underpins the crypto-revolution, and he has closely observed the ever-increasing intersection between it and the platform economy, as he eagerly anticipates (and participates in) the future of money. Next to his passion for startups, innovation and blockchain, Gino loves organizing community events within Europe's bustling growth-marketing community.

Wesley van Heije

Wesley is a creative developer that loves to combine his experience in software engineering and consultancy to create solutions that work. As a solution architect he worked for Microsoft and Accenture in the joint venture called Avanade.

Currently, Wesley is working for an Ethereum research and development company called Consensys, which reflects his in-depth knowledge of Solidity and the Ethereum blockchain infrastructure.

Wesley is currently responsible for developing and testing the smart contracts that will be used for creation and distribution of the Blockport tokens in the pre- and crowdsale.

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Thale Sonnemans
Thale is a pure creative that has an instinctive touch for branding innovation so that it resonates with the brand's audience. In the last few years he worked for one of the largest film production companies in Amsterdam, called Halal, and is now putting his learnings and network to work at Blockport.

7.2 Advisors

Jeffrey Dorrestijn
Founder of Magnetic Field. Digital Marketing Specialist, ex-Google.

Johannes de Jong
Head of Regulatory Osborne Clarke, Fintech Lawyer, former AFM legal counsel.

Lars Rensing
CFO ARK.io

Erik Terpstra
API specialist, Founding Software Engineer at Blendle, Crypto trader, early adopter of blockchain technology.

Laurens Profittlich
Blockchain R&D and Full Stack Developer

Peter Kits
Partner Deloitte Legal

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8. COMMUNITY & INVOLVEMENT

Please join our Telegram to give us feedback on the white paper.

To be part of our active community or learn more about what we do:

Visit our website at	**http://www.blockport.io**
Join our Telegram at	**https://t.me/blockport**
Follow us on Twitter at	**https://twitter.com/blockportNL**
Follow us on Facebook at	**https://www.facebook.com/blockport/**
Or email at	**contact@blockport.io**



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Blockport

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V 1.0.5

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