STASIS: Building the most stable cryptocurrencies in the world

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Executive Summary

What is STASIS?

STASIS is the world's first nationalized digital currency platform. STASIS will provide governments the ability to tokenize fiat currencies into digital versions via blockchain.

What problem does STASIS solve?

The most pressing issue in the cryptocurrency marketplace is the volatility of currencies resulting in the hesitancy of consumers and businesses to accept or exchange these currencies. The high degree of speculation in the markets also concerns government regulators and makes the industry susceptible to fraud and manipulation.

STASIS solves this problem by introducing nationalized digital currencies whose value is tied to the value of the fiat currency of the respective nation. STATIS's pilot currency is the Stasis Euro Token (SET).

How does STASIS work?

Stable token issuance will become a worldwide phenomenon and will simplify the now daunting process of fiat to digital asset exchange. It will provide on-demand 24/7/365 transactions and minimize the transaction times and fees associated with exchanges, brokers, payment systems, miners, and more. In the longer term, the stable token will become a viable competitor to traditional means of payments among companies, individuals, and government bodies.

The STASIS platform will utilize the Ethereum blockchain that allows for processing up to 20 transactions per second. STASIS will also introduce its own wallet for SET (and other stable token) holders that will allow multi-platform transactions among its users. For security purposes, it is technically possible to maintain a blockchain audit every 2-3 minutes. The actual audit frequency will be determined after consulting with regulatory authorities appointed to conduct the audit.

What is Stasis Euro Token (SET)?

SET is a cryptocurrency designed to replicate the Euro. SET is fully convertible to its fiat equivalent on a 1:1 value exchange. STASIS utilizes government support and audits of its fiat reserves to validate this claim. Government support is crucial to the success of STASIS.

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The value of one currency unit issued on the platform is tied to an underlying national currency - in this case, the Euro. Fiat money received by STASIS from conversion activities will be allocated to a reserve fund to provide 100% protection for their digital equivalents. When selling SETs, an investor will receive fiat money out of the STASIS reserves and the sold SETs will be destroyed. This process will ensure complete interchangeability between traditional and digital currencies on an equal value basis.

Why STASIS?

STASIS builds stable coins and has two features that are highly attractive to cryptocurrency investors. It creates a legal two-way currency flow channel between fiat currencies and digital assets. This channel gives STASIS a unique opportunity for rapid growth, disrupts the cryptocurrency market infrastructure, and provides access to private and institutional capital. SET and other stable tokens solve the volatility issue. Volatility is a major problem for market participants and SET offers an effective tool to mitigate and control this volatility.

The achievement of fiat-level stability will solidify the cryptocurrency economy into a self-sufficient marketplace. Combining all the benefits of digital currencies with the stability, convertibility, and legal compliance of the insurer's assets, STASIS helps users move into and out of crypto-economies similar to how they subscribe to and redeem from the most liquid ETFs. With fast growing demand for such an instrument, we expect it to become the backbone of the cryptocurrency economy in the near future.

Market Overview: Emergence of cryptocurrency as a new asset class in the liquid alternatives space

Cryptocurrencies gained widespread public recognition in 2017, which led to a social and speculative phenomenon of “cryptocurrency mania”. Bitcoin, the dominant cryptocurrency by market capitalization, increased 11x its value with a short term spike to 16x (20K USD) and 60x by trading volume. Most of this extraordinary growth fell within Q4 2017. Despite all the attention, prominent institutional investors still consider cryptocurrency an immature market. With a market capitalization of $450BN USD and highly concentrated nature (the top five cryptocurrencies account for 73% of the capitalization and 62% of trading volume), this market is primed for continued growth.

The alternative investments universe is a collection of asset classes that have little correlation with traditional finance and even less regulation. Liquidity is often scarce, as many of the alternative assets are unique. Classic cars, wine, and fine art are perfect examples.
Liquid alternatives (LA) are either securitized and listed on exchanges (UCITS, ETFs, Hedge Funds, futures, options), or structured in another way (forwards, swaps) to provide better liquidity, hence the name. In our opinion, cryptocurrencies perfectly match LA classification due to standardization and available trading volume across cryptocurrency exchanges.

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Cryptocurrencies represent a new asset class within the LA universe. They possess little correlation with traditional financial assets. In addition, excess returns and the high volatility of the cryptocurrency market resemble the US equity market technology boom of 1998-2001 and the emerging markets takeoff during the 1990s. Adjusted by risk, digital asset performance to date hoovers far above traditional equity and fixed income markets. These trends attract new investors and open fundraising possibilities as venture capital and high net worth investors flood into this emerging market.

2017: ICO market takes over as the main growth driver

From the birth of cryptocurrency in 2009 until the boom of 2017, Bitcoin essentially dominated the entire cryptocurrency marketplace. Ethereum blockchain was introduced in 2015, but it took two years for this platform to gain recognition and support from the cryptocurrency community. Ethereum decentralized application (DApp) and smart contract platform opened opportunities for new players to enter the market. These new coins, built on the Ethereum platform, were now able to raise funds in a unique crowdfunding investment instrument known as the initial coin offering (ICO). The rapid growth and popularity of these ICOs pushed Bitcoins' market share below 50% (by market capitalization).

ICOs quickly outperformed traditional VC financing by volume (appr. $3BN USD vs $2BN USD respectively). As the pioneer, Ethereum became the dominant platform for issuing ICOs. As of December 2017, there are 33K smart contracts running on it, making the Ethereum blockchain synonymous with the ICO market. In late 2017, several Ethereum competitors entered the market (Stellar, Cardano, NEO, NEM) and 2018 should see explosive growth in this space.

Countries begin competing for industry exposure and marketplace dominance

Cryptocurrencies are a very young asset class and most governments are still deciding how to classify, regulate, and tax them. The market lacks experienced analysts and forecasters with financial backgrounds. Price action is very dependent on community expert opinions. Regulators like the SEC, MAS, and BOC express concerns with the market's chaotic nature.

Worldwide regulators have not yet developed a unified approach to this market and even the outlook on cryptocurrencies varies from country to country. Lawmakers across the globe are struggling to keep up with this rapidly emerging alternative asset class. Some countries advocating a friendly view of cryptocurrency and fintech development have rushed to implement regulations in order to gain a competitive advantage in the global market. For instance, the Japanese government enforced favorable regulations for cryptocurrency and quickly became a global leader.

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Cryptocurrency market growth is backed by fundamental factors

Goldman Sachs evaluated the market potential in their “Future of finance: payment ecosystems” research paper. Analysts came up with a $25T USD mark on a standalone basis and the current cryptocurrency market capitalization comprises only 0.5% of this number. We believe that investors are only beginning to realize the market’s true potential and we expect a gradual increase in institutional interest and investment. Given the opportunities this market provides, it will most likely continue its rally long-term.

Analyzing the world’s macroeconomic position, we believe the market is stepping into a new inflationary cycle. It should reach its highest point in the early 2020s. The last inflationary cycle (ending in 2008) induced bubbles in real estate and commodities with the latter reaching up to 8% of the world’s GDP.

This time, the rise of inflation is provoked by the accommodative monetary policy led by the main central banks (FED, ECB, BOJ, PBOC) of the world. There is too much circulation in the world economy and on the balances of central banks. The ease of printing new money compromises the credibility of fiat currencies. We believe that as the inflationary cycle unfolds, cryptocurrencies will gain momentum as the “new commodities”. The world’s GDP is forecasted at approximately $78T USD for 2017, which means that the market potential of cryptocurrencies could be as high as $6T USD by the early 2020s.

2018: Inflow of Institutional Capital

Digital assets have massive and vastly unexplored potential. Predicted four-digit annual growth rates create a distinct possibility for the next structural shift to arrive in early 2018. We believe that the market dominance of individual investors will soon be surpassed by institutional capital, which has only been moderately active throughout 2017.

According to Autonomous NEXT, the number of active cryptocurrency hedge funds climbed to 226 as of January 2018. Just three months prior, in October 2017, there were only 70 of them. Despite impressive growth in quantity, cryptocurrency funds are still dwarfed in number by roughly 10,000 traditional funds existing today. An approximate estimation of assets under management is in the range of $3.5BN USD - $5BN USD.

Lack of infrastructure is a bottleneck in the system

- ICO/ITO/TGE issuers have no legal means to utilize the financing they attract.
- Some countries do not accept proprietorial rights of cryptocurrency asset owners, which makes it impossible to account for and evaluate such assets on a balance sheet.
- There is thin legal ground for bringing money into and out of the various cryptocurrency exchange platforms as well as for making transactions among cryptocurrency liquidity providers.

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- Exchanges provide access to a limited number of digital assets.
- Global banks refuse to process transactions considering the accompanying paperwork misleading, payment references suspicious, fraud and liability risks, and complicated or unknown tax implications.
- Digital asset investors lack an instrument to counteract the extreme volatility of their portfolios.

Legal framework of the STASIS project

Our team put much effort into solving the above-mentioned infrastructure problems. The STASIS platform is our solution. STASIS incorporates governmental involvement in order to drastically modernize the way fiat and cryptocurrencies are exchanged.

With proper regulation and government support, an individual, corporation, or regulatory body will have the confidence that cryptocurrency has the same security, stability, and controls as fiat currency.

STASIS Early Adopters

Many governments have already expressed their interest in STASIS. Malta (EU member) and Kazakhstan plan to utilize STASIS for a newly established “free trade zone”. Malta has started implementing its national blockchain strategy with STASIS advising the national blockchain taskforce and the Malta Financial Services Authority (MFSA). AIFC (Astana International Financial Center) of Kazakhstan will collaborate with our team to implement a regulatory framework for STASIS in 2018. Malta and Kazakhstan both plan to release documents outlining blockchain guidelines.

STASIS Token Generation Event (TGE)

Once SET is launched, STASIS will issue a community token to promote our platform among a wider range of cryptocurrency investors. The broader concept is still under development as we negotiate legal status of the token. We foresee our token granting its owner exciting benefits linked to a scale of the STASIS platform and its transaction volume.

STASIS team: bringing interdisciplinary expertise to the cryptocurrency market

STASIS originates from Exante Ltd., one of the pioneering companies in the cryptocurrency market. Our goal is to build a successful infrastructure company within the cryptocurrency economy. We believe it requires a unique blend of skills: financial, technological, macroeconomic, and regulatory compliant.

The STASIS team has broad and comprehensive expertise in IT, traditional and alternative finance, government compliance, and blockchain technology. Our mission is to use our

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interdisciplinary framework to create a stable and regulated cryptocurrency ecosystem. Our professional accomplishments include:

- Liquid alternatives and Finance: Creating the first Global Fund of Hedge Funds and the first absolute return UCITS fund in Russia.

- Cryptocurrencies: Establishing the first Bitcoin fund in 2012 (a year before Pantera Capital came into existence). We took part in structuring the world's first mining ICO in 2017, which raised $27MM USD. We also invested in the world's first ICO underwriter the same year. Additionally, Exante possesses cryptocurrency mining capacities of 6MWt.

- IT: Exante introduced its own asset management platform in 2016. In 2017, its internally developed corporate software went under technological audit and industry experts deemed it superior to currently existing market standards.

- Government relations: Official collaboration with Malta (EU member) and Astana International Financial Center (Kazakhstan) signed in 2017. Currently, we are in the process of establishing relationships with other EU nations and some CIS countries.

Safe haven concept during periods of market volatility

The entire class of cryptocurrency assets is currently subject to major volatility. We bring stability to the market by linking the value of our stable tokens to their respective fiat currency via STASIS storage in auditable fiat reserves. This will mitigate any SET volatility and provide transparency for the STASIS fiat-to-digital currency conversion service. Investors will be able to use SET as safe haven during cryptocurrency market turmoils.

Reserves will be managed by a qualified asset manager according to conservative mandates similar to money market funds with a tilt towards shorter duration government notes and bonds. As the number of cryptocurrencies serviced by the STASIS platform grows, the quantity of instruments will widen, as each currency type will be invested in their respective government supported money market securities. Reserves will be audited at government levels. Auditable and backed by fiat currency reserves, SET will be the digital currency of the crypto-economy and a useful volatility control tool for investors. The demand for such an instrument is very high. From our tentative analysis, we predict that the STASIS net fiat reserves received from conversion activities could reach $2BN USD by the end of the 2019. The reserve growth pace will accelerate as STASIS gains more worldwide recognition and secures the leading position as the world's first nationalized digital currency platform.

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STASIS – The ultimate stability solution for the cryptocurrency economy

STASIS is a revolutionary step towards combining the vast potential of the cryptocurrency market with the stability and reliability of fiat currencies. Our infrastructure solution will become the backbone of the crypto-economy and create a two-way currency flow channel. Its legitimacy and compatibility with the traditional financial system allows institutions, governments, and wealthy individuals to access the cryptocurrency market much like they operate in the current business world.

The demand for SET will be strong in any market environment. In case of the market pacing up, demand will be driven by fiat holders wishing to access the cryptocurrency market and take part in the rally. In case of negative price movements and growing volatility, the demand will come from crypto-asset holders wanting to fix their investment gains by escaping into stable digital currency (SET). STASIS is a visionary platform that connects traditional and digital finances and fundamentally alters the way the market players interact.

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