



EURST

A Real Time Audited - USD Asset Backed / EURstablecoins

WHITEPAPER V1.

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ABSTRACT

EURstablecoin (symbol: EURST) is a fiat-backed stablecoin issued by Wallex Trust, built on the Ethereum network according to the ERC20 standard for tokens.

EURstablecoin will utilize a proven centralized model to fully back every token issued with an equivalent unit of real currency (US dollars) in a real time audited and transparent reserve managed by Wallex Trust, the central issuer of EURST tokens, as well as our fiduciary custodial partners. In addition to regular thirdparty audits, token issuance/redemption transactions are recorded on-chain and all offchain transactions as well as reserve balances will be broadcasted to the public at frequent intervals. The existence of a physical, real time audited and redeemable USD reserve will effectively peg the market value of EURST tokens to real currency Value of the 1EURO in USD.

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EXECUTIVE SUMMARY

Stablecoins are digital units of value that are not a form of any specific currency (or basket thereof) but rather, by relying on a set of stabilisation tools, try to minimise fluctuations in their price in such currencies. Stablecoins claim to stabilise major currencies directly in the market of crypto-assets, whose prices are inherently volatile due to the lack of any liable issuer, and therefore across the broader economy.

Different types of stablecoin initiatives can be identified when following the criteria given to characterise crypto-assets. These criteria are, as follows: (i) the existence/absence of an issuer that is responsible for fulfilling any attached claim; (ii) the decentralisation/centralisation of responsibilities over the stablecoin initiative; and (iii) what underpins the value of a stablecoin and its stability in the currency of reference.

The stabilisation mechanism at the core of a stablecoin initiative is critical to determining whether the units issued can maintain a stable value or not. Different stabilisation mechanisms may either require the intervention of accountable institutions, in the role of issuer and custodian, or may delegate such tasks to stablecoin users. For further expansion, stablecoins can be described as being:

- backed by funds, which an issuer or custodian needs to hold for safekeeping, implying a commitment to their full redeemability (referred to hereinafter as “tokenised funds”);
- backed by other traditional asset classes that require a custodian for their safekeeping and are in the possession of the issuer only as long as the user does not redeem the stablecoins, or what is left of them in the case of default (“off-chain collateralised stablecoins”);
- backed by assets, typically crypto-assets, which can be recorded in a decentralised manner and do not need either an issuer or a custodian to satisfy any claim (“onchain collateralised stablecoins”); and
- backed by users’ expectations about the future purchasing power of their holdings, which does not need the custody of any underlying asset, and whose operation is totally decentralised (“algorithmic stablecoins”).

Different types of stablecoins feature a trade-off between the level of innovation involved in their stabilisation mechanism and the stability of their value in the currency of reference. On the one hand, the least innovative stablecoin initiatives focus on the mere tokenisation of currency units: they rely on traditional systems for the safekeeping of funds, in the form of

either electronic money or scriptural money, and use distributed ledger technology (DLT) to issue their mere representations in the form of claims on the entity in charge. On the other hand, most innovative initiatives currently do not keep to the promise of maintaining a stable value.

In particular, the value of tokenised funds may be truly stable (in terms of the currency in which the funds are denominated) provided that users trust the entity backing the stablecoin initiative, notwithstanding the lack of clear applicable regulation which may expose users to fraudulent behaviour. Tokenised funds do not involve a new type of asset but represent existing currency units on a distributed ledger, mirroring either the traditional electronic money approach to retail payments or the prefunding of some existing payment systems. Yet, tokenised funds initiatives might pose challenges that should be controlled by means of an appropriate regulatory framework.

Collateralised stablecoins can have a stable price only to the extent that the volatility of collateral against which they are issued is catered for by the margins applied. While off-chain collateralised stablecoins aim to tokenise traditional assets on a distributed ledger, on-chain collateralised stablecoins endeavour to turn highly volatile collateral in the form of cryptoassets into a stable asset, typically by providing economic incentives to their potential holders.

Off-chain collateralised stablecoin initiatives require accountable custodians and issuers for both the safekeeping of collateral and to allow its redemption. These stablecoins are uncommon since they address the volatility of underlying collateral and bring little innovation, owing to the need to use the typical intermediated financial systems. On-chain collateralised stablecoin initiatives can work without the intervention of any accountable party. To the extent that these initiatives are backed by crypto-assets, collateral is recorded directly on a distributed ledger and in the custody of the network participant. Whereas an issuer could take responsibility for overseeing the rules of such initiatives and liquidate collateral on request, their operation is generally decentralised.

Algorithmic stablecoins have not yet proven capable of withstanding market shocks and maintaining a stable value in the currency of reference. Such stablecoin initiatives do not involve the intervention of any accountable party and can be seen as an evolution of cryptoassets. They offer the greatest level of innovation among stablecoin types, with some initiatives claiming to be able to replace central banks, although no successful track record is available to date to support such claims.

The total market value of stablecoins soared over the last year, mostly owing to the growth of tokenised funds initiatives. Their future role in the crypto-asset market and broader economy, however, is uncertain. The total value of stablecoins almost tripled from €1.5 billion in January 2018 to more than €4.3 billion in July 2019, with tokenised funds initiatives accounting for more than 97% of the market. A number of obstacles related to the lack of accountable institutions hinder the usability of collateralised and algorithmic stablecoins

beyond a core user base motivated by a strong preference for privacy and an aversion to the scrutiny of trusted institutions. ECB Occasional Paper Series No 230 / August 2019

While the use of a new technology is often mistaken for the introduction of a new asset class, some stablecoins are truly part of the new phenomenon of crypto-assets, with major uncertainties relating to their governance and regulatory treatment. Uptake in the usage of any stablecoin requires clear governance, including procedures to update the smart contracts at the core of the initiative and a cyber-security framework. Stablecoin initiatives with a clear governance framework could be subject to much warranted regulatory scrutiny and recognition. This may promote uptake in both the crypto-asset market and the broader economy, leveraging distributed ledger technology (DLT) while ceasing to target users who are interested in participating in an unregulated ecosystem.

INTRODUCTION

There are a vast number of different assets that people may use free to keep value. Now there is the value of the traditional environment, or investment, but we believe that today the blockchain and cryptocurrencies are the EVOLUTION and the best solution for the management, storage and accounting of these assets.

There are many different assumptions and analyses published by the outsourcing companies. The data given by such sources presents the global wealth average to be an estimate of 312 trillion dollars. Consequently, most of these assets are owned by banks or similar of such financial institutions, and present in most cases without motion, thereby causing unrest and issues to acknowledge.

The modern traditional financial system is outdated and extremely vulnerable. Banks and the state does not want to enter into the blockchain technology at the global level, because the officials will not have it so easy to hide corruption schemes and various backstairs politics methods of struggle with public opinion, justice, democracy, etc.

In view of the foregoing, we may conclude that the inclusion of the world's assets on the blockchain is a necessity and has enormous benefits that will appear in the process of this integration. Cryptocurrency was created not so long ago as "an electronic payment system based on cryptographic proof" which allows any two persons to interact directly with each other without using a trusted third party, and instead entrust your money to a central authority.

The very first chosen cryptocurrency is the bitcoin, it was created by an unknown developer or team of developers under the pseudonym "Satoshi Nakamoto". Satoshi has created not only a new class of decentralized, digital currency or cryptocurrency, but in general, through technology introduced the world to a new financial sector which, has been widely used and studied. Now it is not possible for any state, self-respecting finance company nor any keeping up to date organization to ignore the inevitable.

Cryptocurrencies present some main advantages such as; low transaction costs, international payments, wide distribution and easy conversion, asset ownership and exchange, pseudoanonymity, transactions transparency in real-time and immunity to problems that often occur in the traditional banking system.

However, there are a number of reasons why the use of cryptocurrency may create an inconvenience in possession of non-technical users. Also, if you wish to use cryptocurrencies in daily life to pay for petty purchases every day such attempts become less profitable and more risky because of uncontrolled cryptocurrencies mining, and speculations by large traders and holders of large market shares engrosses from the whole component of capitalization (total capitalization of about \$ 300 billion). In addition, there is a theory that the total amount of lost bitcoins estimates to be \$50 billion. Based on the above factors, there is often more of a misunderstanding or inadequate understanding of the market behavior of technology and sometimes the lack of usability for non-technical users. As a result, this often leads to panic and the market drops at a pace that no company has ever felt on traditional stock exchanges.

In this whitepaper we focus on how the stablecoin created to parallel between the concept of fiat and cryptocurrency can upgrade the financial system and a new economy. In accordance, assets will be stored and transmitted using software built on the Ethereum network according to the ERC20 standard for tokens, cryptographically secure, and the technology use of distributed ledgers, as the true value of the cryptocurrency.

We offer the solution to all problems related to the cryptocurrency volatility through linking "EURstablecoin" to the fiat.

EURstablecoin is based on the blockchain protocol code already released in the first block and moved to cold storage wallet, which is administered by the independent Board analysts and consultants. After that, each EURstablecoin exists as a cryptocurrency and is under constant audit of the analytical Department through its advanced technology provides a real time audited system thanks to the connection between the smart contract and the segregated trust custodian account.

STABLECOIN BUSINESS MODEL SCENARIO

BitShares/BitUSD: The original BitShares/BitUSD whitepaper can be found [here](#). From a high level, BitUSD is a stable cryptocurrency that is issued by backing its value with collaterals. BitShares is the network's base token used for its financial contracts. In order to mint new BitUSD, someone has to lock up at least an equivalent value of BitShares. This, along with a forced liquidation mechanism, creates the peg for BitUSD. When the market value of BitUSD goes over \$1.00, users are incentivized to mint new BitUSD, and when the value goes under \$1.00 users can redeem BitUSD for the underlying BitShares.

Although elegant in theory, this mechanism is prone to black swan events in the underlying BitShares. A large enough down move would create a positive feedback cycle of selling to cover, potentially driving the value down to far below par value.

MakerDAO: According to MakerDAO's whitepaper, there are two key features that underpin the stability of the Maker DAI stablecoin: Collateralized Debt Positions (CDPs) and MKR governance tokens. CDPs are smart contracts that lock up a collateral asset in exchange for DAI stablecoins, the same mechanism as used in BitUSD. Maker plans to allow many different tokens to be used as collateral assets, diversifying the risk from token flash crashes. The system self-governs by paying stability fees to holders of MKR tokens, incentivizing these token holders to vote on certain risk parameters sensibly in order to ensure stability. The DAI has a target rate that is based upon the SDR, which is essentially a weighted basket of five major fiat currencies.

There are a few potential concerns with the Maker model, including whether or not their stability mechanism can really withstand a rapid depreciation in value in their top collaterals, such as Ether. The biggest concern, however, is Maker's scalability since it requires an excess amount of collateral to back up each coin. This makes it very expensive to mint new coins that are required for scaling up due to opportunity cost of capital. Basecoin: Basecoin is an attempt to create fiat currencies on a public blockchain as described in their whitepaper. This model aims to set token value through manipulation of the money supply. Similar to how government monetary policy influences the real purchasing power of its citizens, Basecoin uses a bond issuance and buyback mechanism to influence the real purchasing power of Basecoin. When Basecoin is trading above its peg value, the network increases money supply by purchasing bonds from users or Baseshare holders when no more bonds need to be paid out. When Basecoin is trading below peg value, the network contracts the money supply by selling bonds at market price.

While Basecoin takes a novel approach at tackling the stablecoin problem, it falls short of being a compelling solution. It makes many simplifying assumptions, such as zero inflation being the ideal long run state and provides no clear mechanism for changing system parameters away from these defaults. Additionally, this type of approach suffers from a cold start problem, unlike other stablecoin approaches where the system is bootstrapped by leveraging existing value, this one tries to create it spontaneously, which requires other participants to have already accepted and given the token value.

EURST STRUCTURE & FUNDS FLOW

Is a is a cryptographic token built on the Ethereum network according to the ERC20 standard and represent a units of 1EURO equivalent monetary value of USD that are stored electronically in a distributed ledger to represent a claim on the issuer and are delivered on the Ethereum network, on receipt of funds, for the purpose of making payment transactions to persons other than the issuer, are often labelled “fiat-backed stablecoins” in public real time audited system .

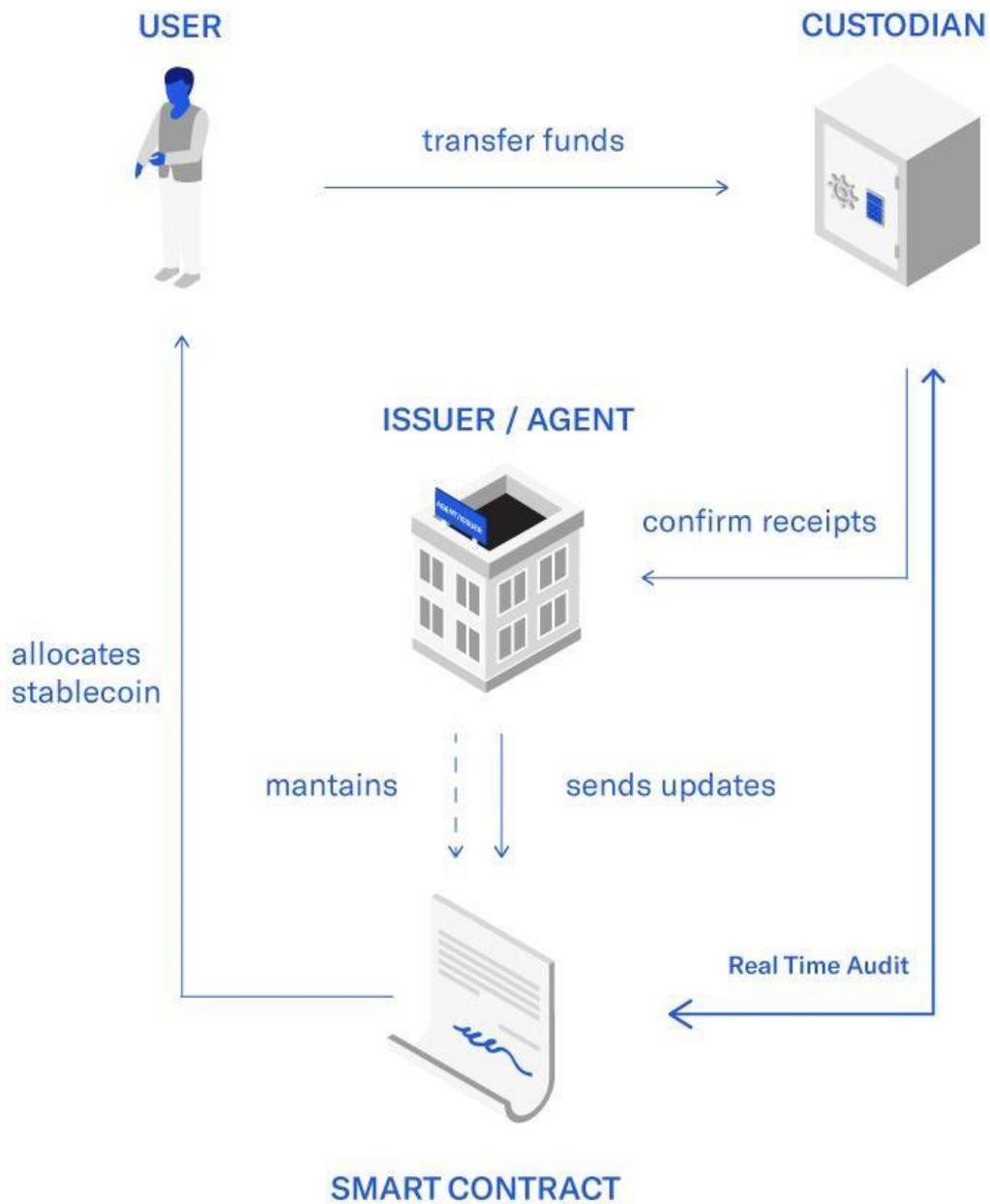
Based on this definition, every EURstablecoin represents a claim on the issuer over the funds it received from users. All The funds are held by a custodian for this purpose in a segregated account in order to ensure the funds backing EURSTABLECOIN are redeemable according to the terms of service, either on the basis of bilateral contracts.

TOKEN DETAILS

<https://etherscan.io/token/0x7baedcd6582370fc712799ad11ddf7758112f186>

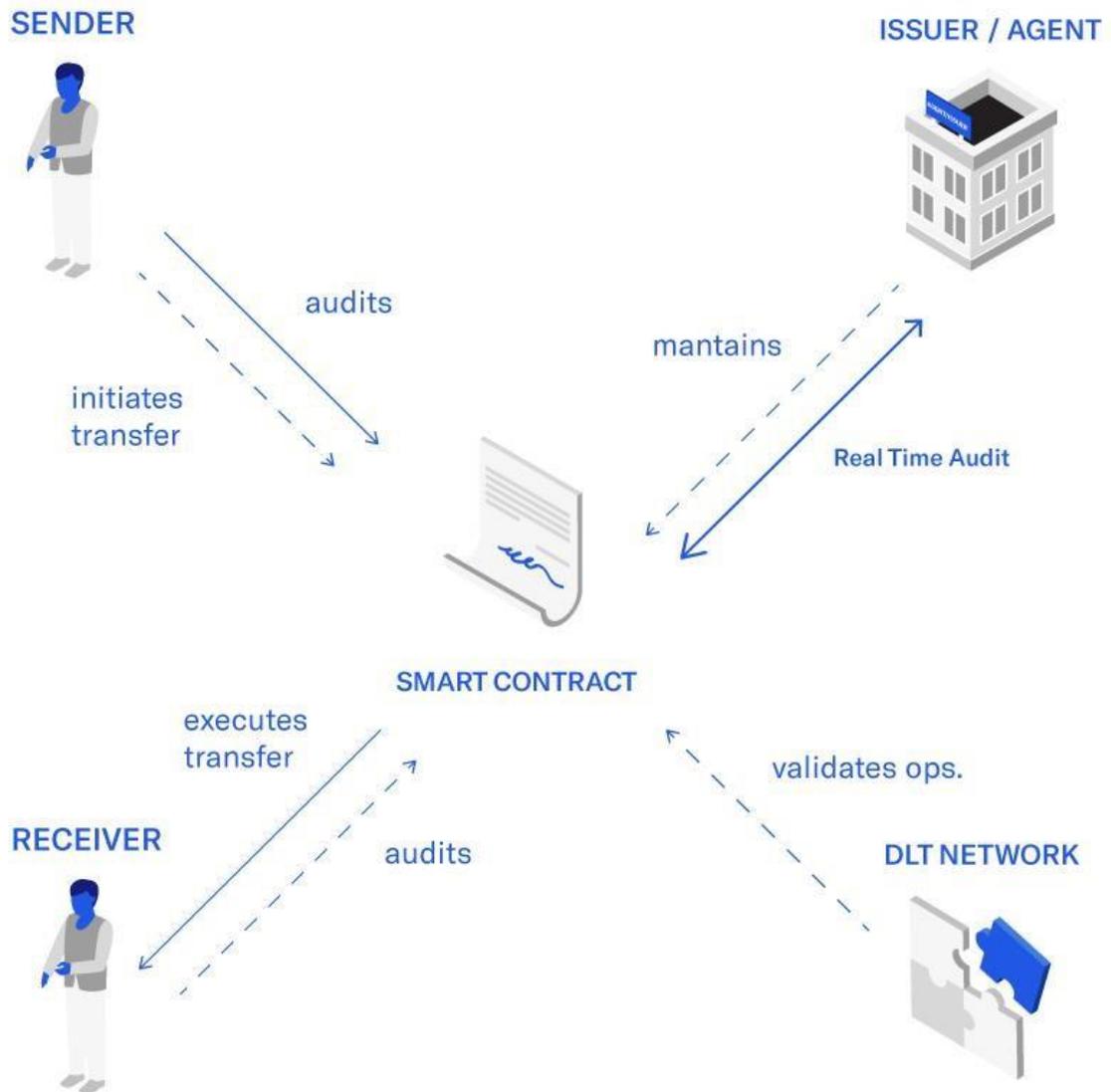
Issuance

User transfers funds to the account the issuer opened with a custodian who shall keep them safe. Upon confirmation that the funds have been received by its custodian, the issuer creates and allocates an equivalent amount of EURstablecoin through the smart contract it maintains. Since the issuer is directly accountable for the redemption of EURstablecoin



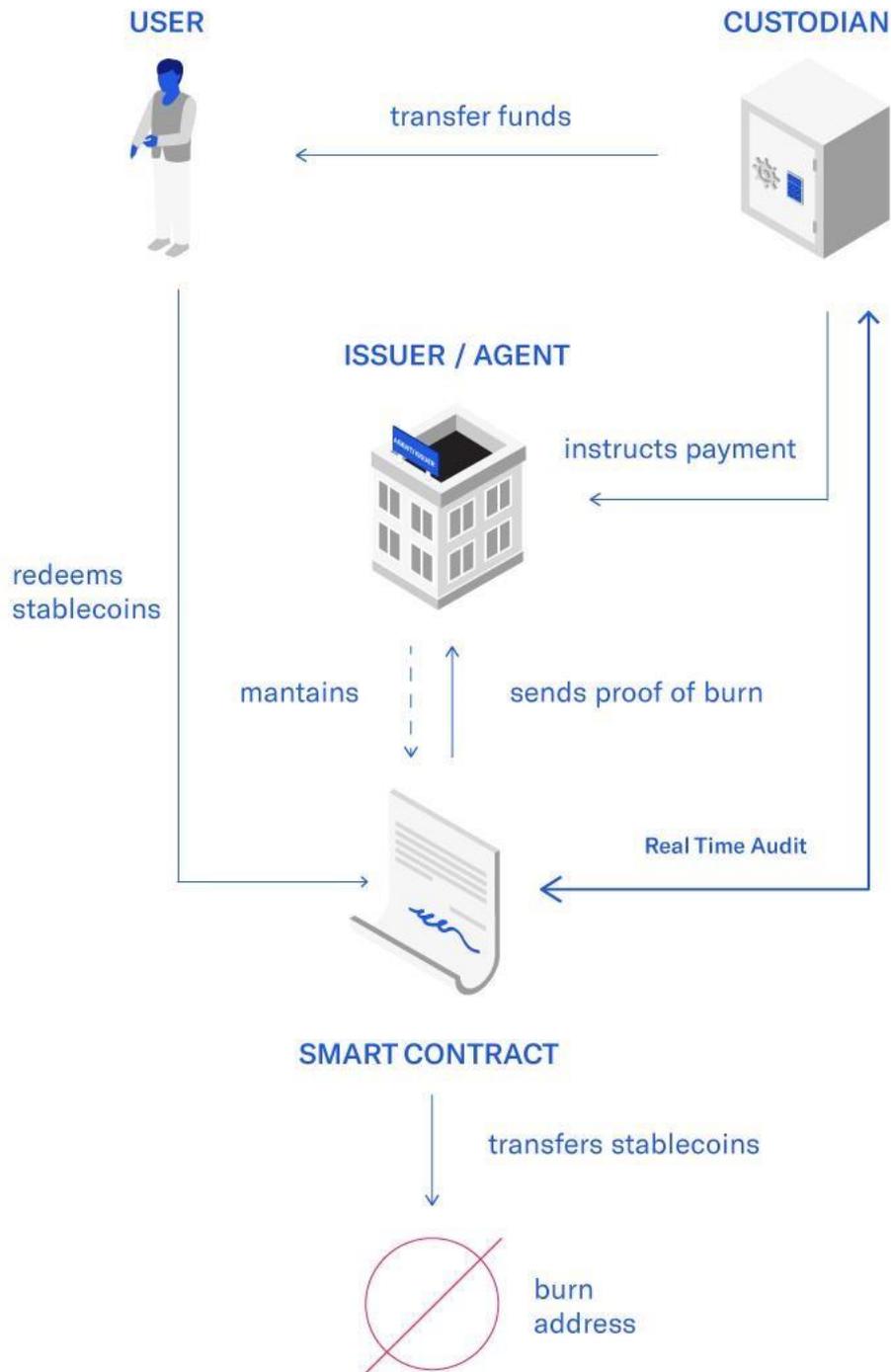
Transfers

Through the Ethereum network, the sender of EURstablecoin initiates the transfer to a receiving user by instructing the smart contract accordingly. Network participants verify that the transfer is in line with the rules of the initiative and validate the transfer.



The process of Redeeming

Units of EURstablecoin is similar to the issuance but works in reverse. A user may send units of EURstablecoin to the dedicated network address specified by the issuer who shall withdraw them from circulation (in jargon “burn” them) to maintain the redeemability of circulating units for the funds backing them. Once these units are burnt, the custodian is instructed to transfer an equivalent.



USE CASES

Safe Haven Asset

Stablecoins have a value that is designed to be stable over any period. This feature makes stablecoins an ideal safe haven asset because, unlike cryptocurrencies like Bitcoin that can fluctuate dramatically in price every day, an individual using stablecoins to store value see no risk of loss, especially because they have full custody of their assets. The importance of both the price stability and selfcustodial nature of stablecoins has recently been illustrated

with the politicoeconomic crisis in Venezuela, where many citizens fleeing the country have stored their savings in Bitcoin to avoid confiscation of their fiat money.

Trading

Fiat onramps and offramps cost fees, making stablecoins a prime solution for exchanges and institutional traders who want the ability to reduce crypto exposure without fully cashing out. This use case is already in full effect; Tether, the largest stablecoin by market capitalization, was used in [40%](#) of transactions on Binance and [80%](#) of transactions on Huobi, which are two of the world's biggest exchanges.

Payments

Businesses benefit from accepting stablecoins as payment because, in doing so, they circumvent the [2–3% transaction fees](#) that accompany the intermediary processing fees by financial institutions. Furthermore, Facebook's Libra is poised to take on payments globally, taking advantage of the low transaction fees that blockchain technology enables.

Remittance

Cross-border payments and remittance are very real problems that overseas workers face when trying to send money home. Sending money internationally comes with high fees. For example, most migrant workers in Asia [send home](#) approximately 180euro monthly, but they must pay 10euro in international transfer fees—half a day's wages gone for many. Blockchain solutions like Ripple's xRapid (XRP) have been developed, demonstrating the viability of the blockchain in solving the remittance problem. However, stablecoins could lower fees even further because of their inherent price stability.

Payroll

In November 2018, Japanese shipping company Nippon Yusen Kaisha introduced plans to [pay its workers](#) using USD-pegged stablecoins, marking a first in using stablecoins to deliver payroll. This measure would make it easier for sea workers to manage their finances, as well as making sending and converting money back into their local currencies a more streamlined, low-fee process. Workers come from different nations and transact from one country to another frequently. By using stablecoins for payroll, these high international fees are dramatically reduced.

Settlement

When settlements are paid out, they are often unable to be delivered immediately because they are subject to normal bank hours. However, stablecoins operate 24/7 because they run on the blockchain, not a centralized financial institution with business hours. Therefore, parties receiving compensation from settlements can receive their money instantly through stablecoins.

Escrow

Stablecoins make the process of escrow completely automated through smart contracts that programmatically evaluate escrow conditions, without the need for institutional intermediation. Because smart contracts using stablecoins are on the blockchain, they are fully and publicly auditable. Furthermore, stablecoins provide price stability to escrow smart contracts, which, especially with large escrow holdings, can suffer significant losses from volatility.

Lending

Stablecoin lending is currently one of the most high-yield opportunities for debt investors, offering double-digit interest rates. This demand is fueled by massive institutional demand for stablecoin loans, which ties back to stablecoins' use in trading. Compared to savings accounts offered by banks which max out at [2.15 APY](#), stablecoin returns on decentralized crypto lending platforms can be as high as 15%.

Alternative Banking

[1.7 Billions](#) Adults worldwide don't have access to a bank account. However, all that one needs to have a stablecoin "bank account" is internet access. Users have full custody of their funds with stablecoins and are not subject to bank failures or limited bank hours. There are also underbanked businesses that cannot open a company bank account for one reason or another that benefit from stablecoins as a method of alternative banking, allowing them to securely store their assets.

Powering Decentralized Applications

Decentralized applications with payment integration usually accept the native token of the platform that they run on, such as Ether. But because ether's price fluctuates, the payments that decentralized application creators receive are subject to the variable market price. This

could affect the development and sustainment of these decentralized applications if they do not receive enough funds from dropping payment prices. Stablecoins allow for a more robust decentralized application ecosystem because they can be used as a stable payment method for decentralized applications.

BENEFITS

Faster Speed

Stablecoins make various financial processes faster. Escrow is streamlined by smart contracts utilizing stablecoins. Settlement and banking with stablecoins allow for transactions at all hours because the blockchain operates independently of a central institution with set hours.

Lower Fees

Credit card processing fees across major credit card companies such as Visa, MasterCard, and AmEx average about 2 percent per transaction. Because of this, many smaller businesses charge customers more for credit card purchases, prohibit the use of certain cards with higher fees, or even take cash only. However, these high costs of transaction can be circumvented through the use of stablecoins, providing value for both businesses and customers.

Borderless

The ability of cryptocurrencies to be an anonymous, borderless store of value has proven itself to be a real-world necessity for millions. In Venezuela, people cannot flee the country with their fiat money. They cannot send it internationally through their banks and they cannot physically carry their money with them, as it would be seized from them at the border. As such, Venezuelans have turned to Bitcoin. However, stablecoins provide a store of value much better than both Bitcoin and the Bolivar, as stablecoins are not subject to speculative markets or wild inflation.

Transparent

Transactions on the blockchain can be viewed from a blockchain explorer by anyone with internet access. Also, stablecoins can offer full transparency into the process by which they are backed through regular audits, which EURST does. As trust in Tether erodes, space is left for coins that offer more transparency to overtake it.

Programmable

Because stablecoins are fundamentally made up of code, features can be added to them, adapting to changing needs. For example, loyalty programs can be built into branded stablecoins such as Walmart's upcoming stablecoin. By building loyalty programs on top of a company's "branded" stablecoin, loyalty becomes directly integrated into the user experience. Users could easily check their balances of their stablecoins and their loyalty rewards on a single app, doing away with inconvenient rewards cards. Stablecoin integration with loyalty programs makes for convenient customer experience in a saturated loyalty marketplace where convenience is key.

API

By supporting real currency-backed stablecoins across different blockchains, EURST will create an API for applications that integrate with a variety of DApps in the background. For example, suppose an application requires you to make a payment on a storage DApp on Ethereum. Instead of a clumsy user experience whereby a user installs Chrome extensions for Ethereum with their respective token accounts on each, our API will allow the user to seamlessly spend their EURstablecoin tokens across these different blockchain apps, with cross-chain atomic swaps implemented in our backend. This results in a payments UX which will support consumer adoption of cryptocurrencies.

Disclaimers

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