



Scaling Bitcoin Economy

Linking Digital Currency to Global Trade



WHITE PAPER SUMMARY

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01 INTRODUCTION

Bitcoin and cryptocurrencies based on the Bitcoin protocol are here to stay. At its core, the Bitcoin protocol has the right formulae for it to become the leading universally accepted currency. Bitcoin already functions as a store of value and medium of exchange. But, in order for it to gain significance as a unit of account in global trade, it needs to scale both technically and economically.

The White Paper does not cover Bitcoin's technical scaling issues. Instead, it aims to deal with the economic scaling challenges that Bitcoin must overcome. Bitcoin has displayed impressive growth, starting as an obscure open source project in 2009, and achieving a multi-billion market capitalisation, it is now receiving mainstream financial media attention. In order for Bitcoin to be even more widely adopted as a currency, and for the Bitcoin economy to play a leading role as a medium of exchange in global financial markets, it needs to expand in scale by orders of magnitude. At the appropriate scale, Bitcoin could be used to settle global trade in raw materials, such as precious metals, base metals used in manufacturing and various industries, consumables, like coffee, wheat, corn and energy products, like oil. At this scale, Bitcoin could gain significance as a unit of account by way of settling global high volume trades for regional and international imports and exports for production and consumption goods, with cash settled and physically deliverable instruments available for producers and speculators alike.

The three functions of money are (1) store of value, (2) medium of exchange, and (3) unit of account and they operate in a hierarchy, especially when bootstrapping a new money such as Bitcoin. If any two people are prepared to treat the asset as a store of value in the course of a transaction, then it is possible for the asset to serve as a medium of exchange. This relationship is sequential. Similarly, when the asset is used substantially as a medium of exchange across society, then it may be considered a unit of account. Some economists consider unit of account to be the final and most important characteristic of money, because it means that goods and services are priced in the numéraire, or basic standard by which value is computed.

Central banks' control of the unit of account is typically argued to be a defining feature of monetary policy. Along the hierarchy from store of value to medium of exchange and finally to unit of account, Globitex targets the medium of exchange function, which will undoubtedly establish the foundation for Bitcoin as the world's numéraire.

In order for the Bitcoin economy to achieve the necessary scale, it will require a substantial increase of liquidity which will likely result in greater price stability. Increased liquidity and relative price stability are a necessary step in the development of Bitcoin and cryptocurrencies as a global medium of exchange. The formation of stable capital markets, along with their corresponding interest rates will establish a natural market-based reference rates and thus increase liquidity and price stability.

In order to facilitate the use of Bitcoin as an industrial scale medium of exchange, we propose taking the existing Globitex exchange infrastructure and scaling it up into an exchange that has global spot and derivatives exchange capabilities, where standardised instruments in money markets and major commodities are listed with cash settlement and later physical delivery, and where Bitcoin is used as the underlying currency - a unit of account.

To realise this goal, Globitex is issuing the GBX utility Token. The Token will be issued as an EIP-20 (previously known as ERC-20) compliant Ethereum smart contract. The GBX Token will primarily be used for the settlement of trades on the Globitex exchange, serving as a commission payment token. The GBX Token will also function within loyalty programs planned for Globitex clients and contributors, whereby the contributors will be participating in the company's overall success. The GBX Token can be acquired during the Globitex token sale (www.globitexico.com) using Ether (ETH), Bitcoin (XBT) and Bitcoin Cash (BCH). The project development will be conducted in stages, each representing the team's commitment to specific business milestones as laid out in the White Paper.

02 GBX TOKEN

To realise the business goals set forth in the White Paper, an Ethereum EIP-20 (previously known as ERC-20) smart contract protocol based token (the GBX Token) – will be issued by Globitex Limited, private limited company (the Company) incorporated in Gibraltar fully owned by AS Globitex Holding (Latvia). The Company will use the proceeds from the token sale to obtain various rights to use, exploit and licence the existing Globitex IT infrastructure and trading platform. The Company will also use the token sale proceeds to further develop the eco-system, infrastructure and trading platform according to the aims described in the White Paper in order to develop the services that the Token can be exchanged for.

Application

The GBX token will serve the primary purpose of a means of settlement of trades on the Globitex exchange, serving as a commission payment token, as well as used within loyalty programs. Redeemed GBX Tokens are intended to be burned and therefore permanently removed from circulation. GBX Tokens will be usable to cover commission payments for the trades made on the Globitex platform. All registered clients of the Globitex exchange will be able to redeem GBX tokens as payment for commissions. Initially the tokens will be subject to a significant premium of no less than 20%. For example, at a price of GBX 1 = EUR 0.10, the client opting to use GBX as payment for trades will be able to enjoy the following bonus: GBX 1 = EUR 0.10 + 20%. Over time, depending on overall Company's success, the bonus will largely increase in order to stimulate widespread utilisation of GBX tokens for trade settlement.

Furthermore, Globitex will offer other Company success-related member loyalty programs to reward its clients and token holders during the GBX Token lifetime.

Overall, GBX Token is expected to have a 10 year lifetime, during which time, tokens can be redeemed, loyalty programs and other success-related benefits enacted. After 10 years will have elapsed, the Company will review the GBX Token program and make the necessary adjustments on continuation of the program.

03 TOKEN DETAILS

Token name: Globitex

Token symbol: GBX

Token lifetime: 10 years (subject to extension)

Token execution environment: Ethereum platform

Token standard: Ethereum EIP-20 (previously known as ERC-20) compliant smart contract

Token decimal units: 8

Token sales currencies: Ether (ETH), Bitcoin (XBT), Bitcoin Cash (BCH)

Token emission standard price: GBX 1 = EUR 0.10

Minimum sales target incl. pre sale: equivalent of EUR 1,000,000

Sales cap: equivalent of EUR 10,000,000

Minimum purchase amount: equivalent of EUR 10

Maximum purchase amount per buyer: equivalent of EUR 3,000,000

Sales start date: early 2018

Sales end date: To be announced

04 EARLY PARTICIPATION DISCOUNTS DURING PUBLIC TOKEN SALES

10% discount for the first 5,000,000 GBX Tokens sold

5% discount for the next 10,000,000 GBX Tokens sold

05 ADDITIONAL COMPANY SUCCESS-RELATED REWARDS

10% success rewards for the lifetime of GBX Token

06 TOKEN DISTRIBUTION AND LOCK UP PERIODS

65% of GBX token pool are sold to contributors, whereas 35% are allocated to the Company for future use, including: 5% for bounty and referral programs; 10% for business development (e.g. team expansion, marketing, security rewards, conferences etc.); and two tranches of 10% released every consecutive year, following the end of the Token Sale for further business promotion.

07 BUSINESS DEVELOPMENT STAGES

Globitex is an institutional grade Bitcoin exchange, with unrivalled API capabilities for direct market access. The project has already received over EUR 1,000,000 in venture capital funding with the aim of building a Bitcoin exchange that reflected the team's vision of how an exchange should work in terms of connectivity, matching, settlement and reporting. Currently you can trade Bitcoin and Bitcoin Cash against Euros on the Globitex exchange.

In order to be able to achieve the goals set out in the White Paper, Globitex put forward a roadmap detailing the business development stages. Proposed Token Sale, which includes the issuance and distribution of the GBX Token, will fund the initial project development. Along the way, Globitex will seek to obtain the appropriate regulatory licenses in one or several of the European jurisdictions.

08 **STAGE I:** SPOT FX AND REPO

Scale spot FX, where Bitcoin can be traded vs. major fiat and other cryptocurrencies

This will involve business development efforts for establishing additional banking relationships with bank partners around the globe and across the currency spectrum. This will also involve the undertaking of a thorough security and business evaluation, including development of extensions for the payment system based on the highest security standards before adding other cryptocurrencies as trading instruments on Globitex.

Implement FX margin trading ability - REPO

By allowing Globitex clients to lend to each other with REPO, or standardised maturities repurchase agreement based instruments, Globitex clients will be able to use the borrowed funds for leveraging their trading; the loans will be made available as collateralised debt instruments, which can also be used for purposes outside of the exchange. This, in turn, will create a money market for Bitcoin and other cryptocurrencies, and thereby establish market based interest rates. Globitex will expand its core system level functionality to implement FX margin trading based on the peer-to-peer lending principle. Furthermore, to allow currency REPO instruments, a new risk module will also need to be implemented.

List precious metals spot contracts

Globitex will introduce commodities trading in bitcoin, starting with deliverable spot gold. Gold is an obvious choice to begin with, as Bitcoin itself is dubbed “digital gold”. Globitex will develop order book and distribution channels for gold bought on Globitex against bitcoin.

09 STAGE II: BIBOR, MONEY MARKETS AND COMMODITY DERIVATIVES

Develop Bitcoin money markets - BIBOR

Aggregate the leading interest rate markets for Bitcoin margin lending, including the one developed by Globitex at stage I, in order to form a tradable interest rate product. Name it “BIBOR” (Bitcoin Inter-Broker Offered Rate) and offer BIBOR futures trading, thereby setting the standard reference rate for the Bitcoin economy capital markets. Furthermore, expanding to money markets in other cryptocurrencies based on market appetite.

List cash settled commodity futures and options

At this stage, business development and various partnerships will have positioned Globitex to reference the existing USD based markets. By using traditional futures markets pricing in commodities, we shall begin using Bitcoin at the scale needed for global trade by synthetically forming derivative instruments in commodities, paired with FX market developed in Stage I. These instruments will be listed in standardised maturities and settled in Bitcoin. We will begin by implementing precious metals cash settled futures trading and follow up with other commodities. By further developing IT infrastructure and risk management, the Globitex exchange will be able to accommodate options listings in commodities, FX and money markets thereby linking Bitcoin to global trade at all levels of derivatives.

List cryptocurrency futures, swaps and options

Create cryptocurrency-to-fiat and cryptocurrency-to-cryptocurrency based futures, swaps and options to be used as financial instruments for hedging, investing and speculating purposes.

10 **STAGE III: GCOM COMMODITY INDEX AND PHYSICAL COMMODITIES**

List Bitcoin priced Globitex commodity index - GCOM

Aggregate various groups of commodities, listed in the previous stage, as cash settled futures, such as energy, grains, industrial metals, precious metals, softs, livestock, into a Bitcoin priced index. Such index would reflect Globitex and other exchange listed commodities value in Bitcoin. The index would have a specific weight for each commodity group. The index would first serve the purpose of a reference price, and may later form the bases for a tradable index futures product. Name the index Globitex Commodity index "GCOM" and prepare to offer GCOM futures trading.

Enable precious metals futures contracts to be physically deliverable

The previously established Bitcoin settled derivatives need to be made deliverable physically in kind. Futures will become available for physical delivery. Starting with a precious metals spot market and integrating in existing precious metals distribution channels, we shall allow a standard commodity kind to be delivered and deliverable in exchange as a collateral in some pre-agreed form. Globitex will work on specific form for certificates of ownership - warehouse receipts in the form of tokens, which may be tracked and verified on a public blockchain.

Further develop warehousing infrastructure and expand spot commodities

For commodities such as non-perishable energy products or industrial metals, which can be stored in warehouses for long time periods, we shall rely on the existing warehouse infrastructure, be it the established warehouses used by existing exchanges or other private warehouses complying with the common delivery standards, to allow other liquid derivative instruments to be physically deliverable. Similarly for consumables, we shall partner with existing wholesalers offering FOB (free on board) or CIF (cost insurance freight) commodities for purchase with Bitcoin and delivery in kind at designated ports and warehouses.

11 GLOBITEX TEAM

Globitex was founded by a team of traders to bring their expertise and vision to the Bitcoin industry. The founding team has previously worked together for many years in asset management, primarily trading spot commodities and derivatives on global futures and derivatives exchanges, including jurisdictions such as China, Japan, USA and Europe. Globitex Chairman Jon Matonis joined the team in 2015, bringing to the table his extensive track record as an executive of technology companies, Bitcoin visionary as well as his own trading experience in commodities markets.

In the wake of the demise of the notorious Mt. Gox, the Globitex team found validation on their belief that a more robust system was required in order for Bitcoin to gain worldwide acceptance. Already previously close as colleagues, and having backgrounds in asset management businesses, they all shared an enthusiasm for the nascent cryptocurrency - Bitcoin. Indeed, the failure of the largest Bitcoin exchange, and its impact on the Bitcoin ecosystem at that time served as the major impetus for the Globitex team to pinpoint the direction in which to move forward with fostering the growth of Bitcoin.

Building on our significant experience in derivatives instruments and markets, especially commodities spot and futures trading, we decided to build our own exchange and thus better the industry overall. Based on our trading expertise and thinking from the perspective of the traders that would be using our platform, we wanted to bring our experience to Bitcoin by building an exchange that reflects our vision of how an exchange should work in terms of connectivity, matching, settlement, reporting, and business integrity.

12 MORE INFORMATION

In the full White Paper, we examine the importance of money markets and commodity trading and why such assets should be linked to Bitcoin. We present the legal setup for achieving set goals, and enumerate the roadmap and the required stages of business development for this undertaking. We include a technical description of Globitex product, and the expected system development plan. In the annex, we attach information on commodities markets and statistics that are relevant to the Bitcoin economy, which enforce the case for why Bitcoin is potentially the most appropriate medium of exchange for global trade. Finally, we extrapolate an estimated path of success in terms of volumes traded for Globitex as a global spot and derivatives exchange in Bitcoin.