Business Plan: Serialized Crypto Trading Pool

1. Introduction:

We propose a novel serialized crypto trading pool platform built in collaboration with existing bank custody services. The platform offers:

- Near-zero transaction fees (0.0001%) and high transaction processing speeds (56K+ TPS) through serialized crypto trading within the pool.

- Security and regulation: Leveraging established bank custody services for secure asset storage and regulatory compliance.

- Enhanced liquidity: A growing pool aggregates crypto assets from multiple custody providers, facilitating larger transactions and price stability.

- Transparency: Publicly viewable transaction ledger with opt-in user privacy protection.

Just like serialized gold bars in London banks which only serial numbers get traded where actual gold bars remain at the same place since WWII, this new platform lets you trade different cryptocurrencies without moving the actual assets which remain at the custody service where only serial numbers get traded. Settlement services are provided by the custody banks along with LondonCoin Systems, Ltd.

This means high-speed, near-zero fee transactions, all with the security and trust of established banks.

This opportunity has the potential to revolutionize crypto trading by offering unparalleled efficiency, security, and transparency in partnership with established financial institutions.

2. Problem:

- ETF threat: Incoming Bitcoin ETFs offer significantly lower trading fees (0.01%) compared to traditional crypto exchanges (0.6%), potentially disrupting their business model.

- Unprofitable custody: Despite a large market size ($400+ billion), most bank crypto custody services struggle to turn a profit, indicating inefficiencies in the current system.

3. Solution:

Our platform addresses these issues by:

- Pool creation: Aggregating cryptos from participating bank custody services into a single pool.

- Serialization: Assigning unique serial numbers to each crypto asset within the pool for efficient tracking and trading.

- Exchange pool: Filling gaps between existing crypto trading prices within the pool for better price discovery and execution.

- Public ledger: Maintaining a transparent, blockchain-based ledger with opt-in user privacy for transaction details.

- Minimal fees: Low transaction fees (0.0001%) incentivize frequent trading while a 1% withdrawal fee promotes pool stability.

4. Detailed Transaction Process:

1. Serialization: Participating banks serialize their crypto holdings.

2. Shared ledger: All banks access and maintain a shared ledger pool.

3. Transaction request: User initiates a trade within the pool, specifying crypto type and amount.

4. Matching: The ledger searches the pool for matching crypto assets.

5. Ownership transfer: Serial number of the matching crypto is transferred to the new owner, while the physical asset remains with the original bank.

6. Settlement: Cryptos and US dollars are used to settle the transaction.

7. Ledger update: Transfer details are broadcasted to all banks, updating their shared ledger pool.

8. Transparency: Public access to the ledger provides near real-time transaction visibility.

9. Host Custody service provider can provide anonymity with private wallets.

5. Benefits:

- Cost-effective: Near-zero transaction fees and efficient pool utilization significantly reduce trading costs.

- Scalable: The pool's liquidity grows with participant adoption, enabling larger volume transactions.

- Secure: Leveraging bank custody infrastructure ensures secure asset storage and regulatory compliance.

6. Market:

Global Crypto Custody Market Estimates:

- $386.3 billion in 2023, expected to grow at a CAGR of 20.7% from 2023 to 2028: This is from Global Market Estimates, which focuses on secure storage and management of crypto assets.

Key Growth Drivers:

- Rising institutional adoption: As financial institutions increasingly invest in crypto assets, they require secure custody solutions.

- Volatility of crypto markets: The volatile nature of cryptocurrency markets drives demand for safe storage options.

- Regulatory pressures: Growing regulatory scrutiny of crypto exchanges is pushing users towards regulated custody providers.

- Technological advancements: New technologies like blockchain-based custody solutions are offering increased security and efficiency.

Challenges and Uncertainties:

- Competition: The market is becoming increasingly crowded, with new entrants offering competing services.

- Regulation: The regulatory landscape for crypto custody is still evolving, which creates uncertainty for some investors.

- Financial Sustainability:

  - Technology integration: Integrating custody solutions with existing financial systems and trading platforms can be complex and costly.
  - Scalability: Custody systems need to be able to handle large volumes of transactions and diverse asset types while maintaining security and efficiency.
  - User experience: Offering a user-friendly and intuitive platform for managing assets is essential for customer satisfaction and retention.

- Operational Challenges:

  - Competition: The market is becoming increasingly competitive, with new entrants putting pressure on fees and margins. Existing custody providers need to differentiate themselves and provide value beyond basic storage.

  - Low profitability: Despite the large market size, many custody services struggle to turn a profit due to high operating costs and

competition. Finding revenue streams beyond transaction fees is crucial.

  ➢ Limited client base: The institutional adoption of crypto is still in its early stages, limiting the pool of potential clients for high-value custody services.

- Potential users:

  ➢ Institutional investors: Hedge funds, asset managers, and other high-volume traders seeking efficient and cost-effective crypto trading solutions.

  ➢ Banks and custody providers: Existing players wishing to enhance their crypto offerings and attract new clients through the pool's efficiency and liquidity.

  ➢ Retail investors: Users seeking a secure and transparent platform for low-cost crypto trading.

Despite these challenges, crypto custody services play a crucial role in the cryptocurrency ecosystem, ensuring the safe and secure storage of digital assets. With ongoing advancements in technology, regulatory clarity, and improved operational efficiency, the future of crypto custody looks promising.

The market size of crypto custody service is significant and expected to grow rapidly in the coming years.

7. Competitive Advantage:

- Competitive Analysis

Within our target market(s), we expect to compete with the following companies:

  ➢ Coinbase Custody: Coinbase Custody is a leading crypto custody provider that offers secure storage, insurance coverage, compliance, and 24/7 access to digital assets.
  ➢ BitGo: BitGo is a popular crypto custody provider that provides institutional-grade security, multi-signature authentication, and insurance coverage.

  ➢ Gemini Custody: Gemini Custody offers cold storage, hardware security modules, and insurance coverage for digital assets.

- Anchorage: Anchorage is a reliable custody provider that utilizes advanced security measures, such as biometric authentication, multi-signature approval, and institutional-grade insurance coverage.
- Other financial institutions such as banks.

- Unique collaboration: Partnerships with established banks differentiate our platform from conventional crypto exchanges.
- Superior efficiency: Serialized crypto trading enables low fees and high transaction speeds.
- Transparency and security: Public ledger and bank-backed custody combine transparency with secure asset storage.

8. Implementation

- System Components:

  - Custody Banks: Securely store the actual crypto assets.
  - Central Ledger: A shared database that tracks serial numbers and ownership for all assets in the pool.
  - Trading Platform: Interface where users initiate trades and view market information.
  - Settlement System: Facilitates the transfer of serial number ownership and updates the ledger.

- Process Flow:

  - Asset Serialization: Custody banks assign unique serial numbers to each crypto asset under their control.
  - Pool Creation: Assets from multiple custody banks are aggregated into a single pool.
  - Trade Initiation: A user places a buy or sell order on the trading platform, specifying the type and amount of crypto desired.
  - Matching Engine: The platform matches buy and sell orders based on price and quantity.
  - Serial Number Transfer: Once a match is found, the settlement system transfers ownership of the corresponding serial numbers from the seller to the buyer.
  - Ledger Update: The central ledger is updated to reflect the new ownership of the serial numbers.

➢ Settlement: The custody banks are notified of the transfer and update their internal records accordingly.

• Key Features:

➢ Near-Zero Fees: Trading fees are minimal due to the minimal processing involved in serial number transfers.

➢ High Transaction Speeds: Trades are settled near-instantaneously as physical assets don't need to be moved.

➢ Enhanced Security: Assets remain in secure custody throughout the trading process, reducing risks.

➢ Transparency: The public ledger provides visibility into asset ownership and transaction history.

➢ Regulatory Compliance: The system can be designed to meet regulatory requirements for crypto asset custody and trading.

System Diagram

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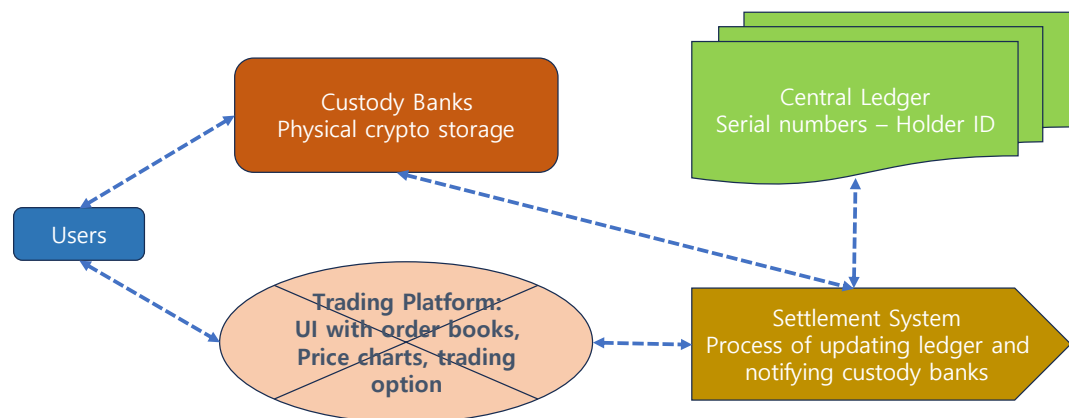
Additional Considerations:

➢ Integration with Existing Systems: Consider how the system might interact with existing financial infrastructure, such as traditional exchanges or payment systems.

➢ User Experience: Will design a user-friendly interface that is easy to navigate and understand.

➢ Security Measures: Will implement robust security measures to protect against cyberattacks and unauthorized access.

> ➢ Regulatory Compliance: Will ensure the system adheres to applicable laws and regulations in the jurisdictions where it operates.

Crypto Custody Eco System
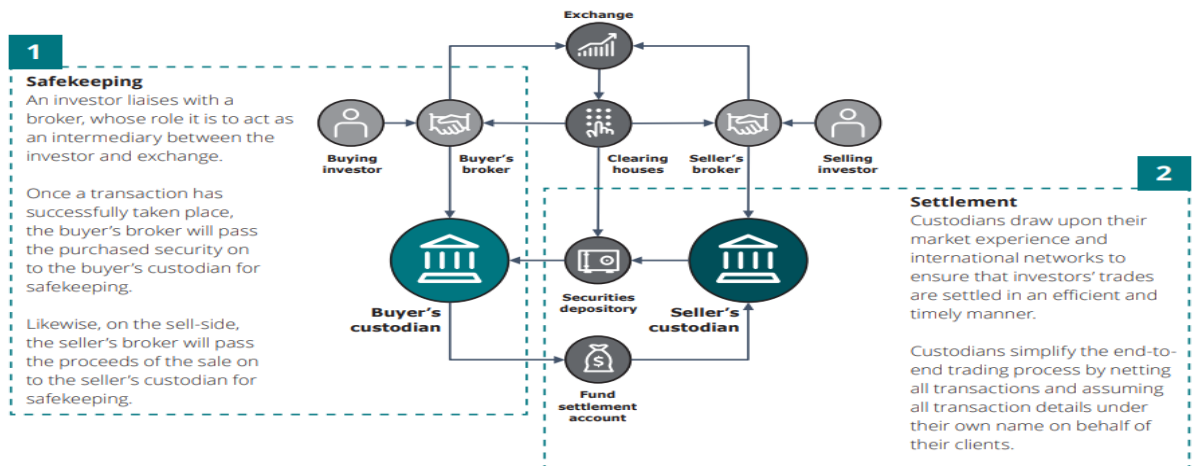
- Phase 1: Setup a company with initial paid in capital of $15M

  - SI: 10 Crypto custody service providers as investors with $1M/5% each for 50% shares

  - FI: $5M for 25% shares

  - Business development partners as service provider: 20% shares

  - Others including advisors: 5% shares

- Phase 2: Secure partnerships with leading bank custody providers.

  - Kookmin Bank

  - Shinhan Bank

  - Crypto Exchanges

  - Other Crypto Custody Service Providers

- Phase 3: Develop and test the serialized crypto trading platform and public ledger.

System Architecture Example for AWS Payment Application
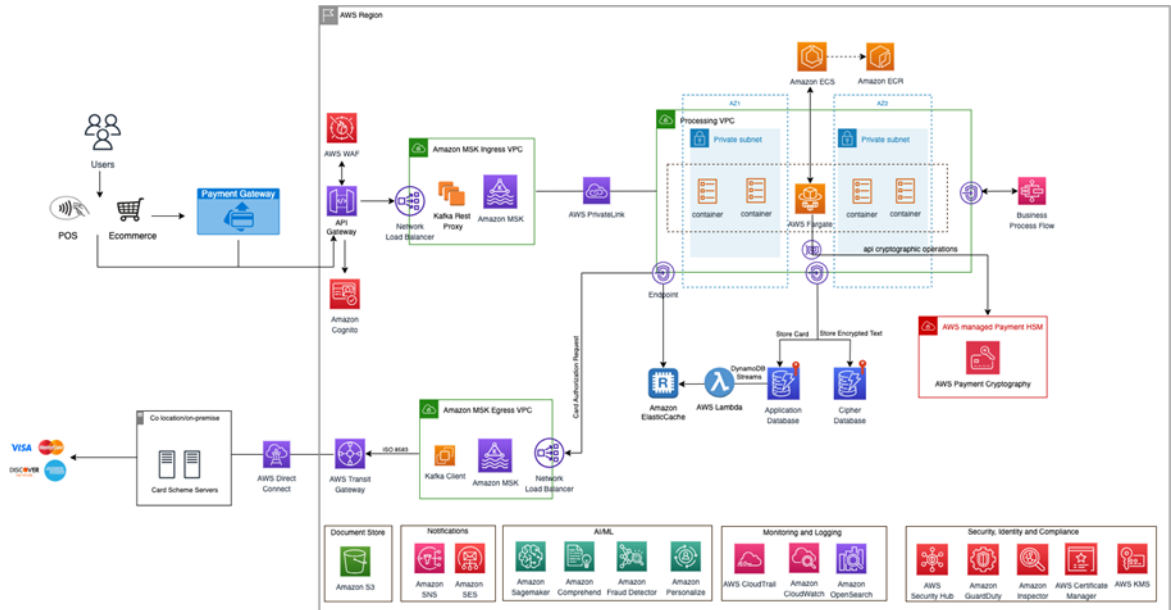
- Phase 4: Onboard initial participants and launch the platform for limited pilot use. Kookmin Bank, Shinhan Bank, Crypto Exchange, etc.

- Phase 5: Public launch and marketing campaign to attract broader adoption.

9. Financial Projections:

Assuming the market share 5% at 2024 increasing to 12% at 2028 of the global custody service, we will have negative $2.8 million at 2024. Since then we will be profitable with NPV $41,453,505,880 based on 10% discount rate.
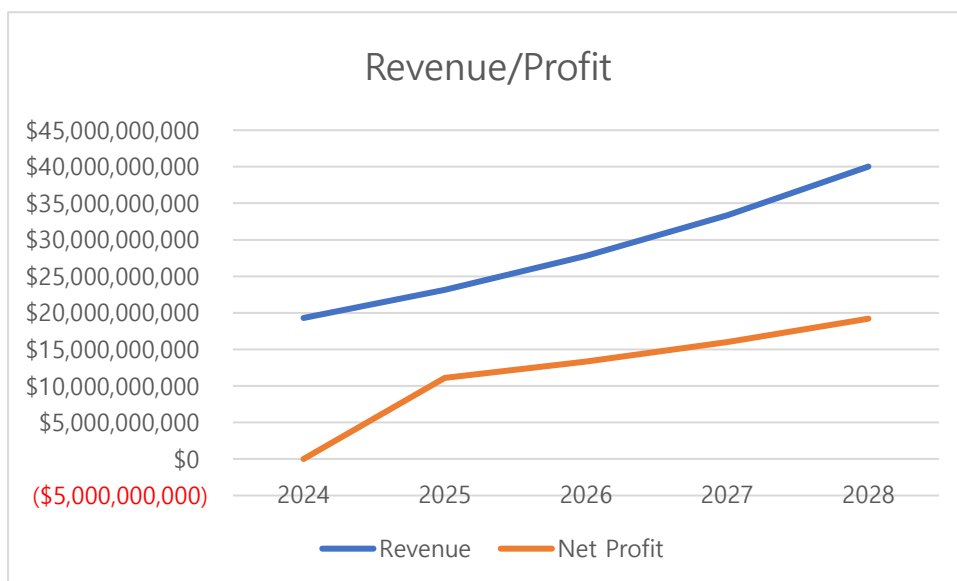
10. Team:

Experts in blockchain technology:

BK Brian KIM who is a CEO of LondonCoin Systems, Has a vast experiences in blockchain and crypto industries including crypto minting, crypto exchange creation and operation, NFT minting, blockchain application with DeFi as well as DAO with MS in Industrial and Systems Engineering from San Jose State University.

JG Lim who is a CEO of NaustesTech. Co. Ltd with vast experiences in billing system and VoIP and blockchain technologies which encompass in coding and systems design. MS in Computer Science from Kyungbuk National University.

MG is the expert in crypto trading who won the MIT student competition and has many technical and business experiences in crypto industry.

The business development advisor:

Krishna Ramachandra: Founder and Non-Executive Chairman of Digital Insights Ventures, a bespoke digital advisory firm that provides nuanced and insightful strategies for clients in the blockchain and digital asset space. With over 400 deals in the last five years alone, I have amassed deep legal and regulatory experience across all domains and industry sectors related to the commercial, financial, and regulatory aspects of the digital and blockchain space.

Dr. CS Kim: who was the auditor general of ETRI (https://www.etri.re.kr/eng/main/main.etriand) director of business development at KT (https://corp.kt.com/eng/) as well as Korea National Broadcast Commission who holds a PhD from Stanford University.

Vinothan T.: At the dynamic intersection of AI, blockchain, virtual worlds, and the metaverse, I find my passion ignited by the potential for scalable innovation, especially when bridged with sustainability. With nearly two decades dedicated to business development in financial services and technology, I've cultivated a deep expertise, positioning myself as a thought leader in these domains.

Throughout my career, I've had the privilege of collaborating with exceptional teams on groundbreaking projects—initiatives that have not only revolutionized industries but also enriched lives. I remain open to exploring novel ideas, seizing opportunities, and forging collaborations that drive significant change.

Specialities: Blockchain Technologies, AI, Metaverse, Virtual World, Tokenization of RWA, Sustainability

Experts from regulatory organization:

SH Choi: Mr Choi will join the team upon setting up the company – Ex- Chairman of FSS (https://www.fss.or.kr/eng/main/main.do?menuNo=400000)

Experts from financial Institution:

Henry Lee: A Private Equity and Investment Banking professional with over 25 years of experience in Mergers and Acquisitions, Debt, Equity and Structured Products. Henry has held Senior roles at Deutsche Bank Securities, Wells Fargo Securities and Mitsubishi UFJ. He has a successful investment track record, including leading landmark deals such as the LBO of Hospital Corporation of America, 3G Partners' acquisition of Heinz and the restructuring of Hynix Semiconductor. He is also a Speaker at global conferences such as the HK Association, National Venture Capital Association, the Global Blockchain Foundation and SBS CNBC. He also has a Leading Role in directing Strategic Alliances for Digital Insights Ventures.

Lee Junior: General Partner and IC Member at Expara Ventures has a diverse background in venture capital, entrepreneurship, and education. His previous roles include director at Tembusu Partners, founder of The Silver Lining Project, and CEO of logistics and wellness companies. He has a wealth of experience in various industries. Lee has also significantly contributed to Singapore's entrepreneurial landscape, holding positions like Crucible Member of the Action Community for Entrepreneurs and Vice President of iAxil Pte Ltd. His commitment to education is evident through his role as an adjunct faculty member in several institutes, teaching subjects like entrepreneurship and venture capital. An NUS Business School alumnus, he has been actively involved in the NUS Alumni Association.