

BaseCore token(BCT Token) - a stable token, secured by private company assets.

September 2018

Abstract.

High volatility of the cryptocurrency market is one of the most urgent problems today. In addition, the lack of specific legislative regulation and the ever-changing legal rules governing cryptocurrency are also one of the most challenging tasks that are currently being addressed not only in the US, but also by other countries legislature. Today, we offer the concept of security token provided with a portfolio containing the assets of private (not public) IT companies. This feature of the token allows it to become one of the most stable digital currencies on the market. This white paper describes the general idea and structure of the token. We solve the problem of tokenizing the assets of private companies creating the digital assets – BaseCore security token (BCT token) – from the share that we have bought from the most dynamically developing private IT companies in the world. Introducing the technological standards of the BaseCore Platform (our platform for buying/selling/exchanging security-tokens), together with the correct legislative framework, will make it possible for investing in private (not public) and not only companies not only to be digitized, but also to be released into free circulation on the open market.

Introduction.

While developing the concept of the BCT token security, we relied on analytical studies of the world's leading financial and business publications concerning the study of the investment market, as well as on our own investment experience and the experience of our advisors and partners.

This allowed us to note some of the most profitable for investment spheres, but the most profitable and absolute market leader segment is and remains the sphere of IT solutions, software, digital products and services, which account for more than half of the total investment.

Profitability of investing into businesses of the most successful IT companies, realized in our services, demonstrates the most realistic alternative to investing in cryptocurrencies. That is on average investments in private company portfolios provide an investment growth of 8-10 times or approximately 200% per year.

The BCT token is a security token which is secured by the actual price of a portfolio consisting of assets of the most successfully and dynamically developing companies of IT sphere from all over the world that have proved their sustainability and competitiveness on the market, work with the experienced team of developers, and show positive results while staying private. With the help of blockchain, we create an absolutely transparent and scalable form of coinvesting affordable to any member of blockchain community. The essence of a stable BCT token concept is also fully described in this document.

1. The BCT token Structure.

The main feature of the BaseCore project is the development and provision of liquid circulation of a “stable” security token which is provided by the actual value of high-yield financial investments (in the assets of private IT companies) that make up its intrinsic value or core.

To implement this task, the BCT token was endowed with two components:

1) Investment component of a token (based on a high-yield investments in private companies assets).

2) Stabilizing component (which provides steady BCT rate even in the conditions of cyclical recession of the entire cryptocurrency market as well as traditional financial sector). Our main advantage is the security of BCT, based on real investment financial assets.

We now turn to a more detailed description of the internal structure of BaseCore token.

1.2 Investment component of the BCT token.

The investment component of the BCT token is the main part of the token structure. This part can be characterized by the fact that the underlying price of the token will not only be the stable minimum benchmark set by the BaseCore platform, but will also steadily increase, together with the costs of the assets included in the investment portfolio secured by the private IT companies assets.

As an investment structural tool ensuring the stable value of the token and its growth, investments are made in the business of the most successful and dynamically growing private IT companies included in the portfolio which ensures the value of the BCT token. The most revealing examples, at the time of writing this document, are Zenreach, Palantir, AirAbn etc. The shortlist of companies with which BaseCore negotiates for the purchase of shares or whose assets it plans to purchase will be published in the upcoming versions of this document.

Portfolio structure.

Portfolio structure formation will be based on available market opportunities at each specific moment of renovation (or creation) of the investment portfolio. The structural ratio of investments into certain types of assets will be implemented according to accepted parameters of risk management of the token's investment component. BaseCore will involve a number of professional participants from this market segment (consultants and active VC investment participants in the IT industry) in the process of determining investment limits within each separate area of investments. Among the project's partners in this sphere are such companies as Freedom Finance, Morgan Creek Blockchain Capital, and others.

Changes in the portfolio structure.

Changes in the portfolio structure (the event of portfolio restructuring) will be implemented when significant events related to the life cycle of separate investments occur in the investment component. Examples of such events may include:

- a company, the assets of which are part of the BaseCore portfolio, carrying out another round of funding;
- the company's entry into the stock market (IPO);
- a sale of its shares; in this case BaseCore implements substitution of a part of the portfolio shares by investments into other private companies in accordance to the evaluation of the capitalization of the shares being withdrawn.

Thus, the BCT token is partially (50-70%) supported by actual financial assets on a specialized depository account of the BaseCore platform.

With portfolio risk increase and fewer available opportunities for investing into private company assets, the collateral amount will be smaller and can approach the lower level of the collateral range at 50%.

With portfolio risk reduction, collateral will tend to reach the upper level of the collateral range at 70%

1.3. Stabilizing component of the BCT token.

This element of the BCT token composition implies that the token is endowed features peculiar only to the class of countercyclical assets – those investment tools which are insignificantly exposed or insensitive to the risks arising from the fall of all other traditional financial markets. One of the striking examples in the cryptocurrency market is a cryptocurrency counterpart of USD – the Tether USD token issued by Tether Limited.

The stability of the BCT token is to be realized through the mechanism of establishing a guaranteed “base” redemption price, a grounded level of buy-back (or underlying conversion) by the BaseCore project from all token holders. This redemption is regarded as an unconditional commitment of the BaseCore project to all token holders, regardless of the source of the tokens that the token holders have in their possession.

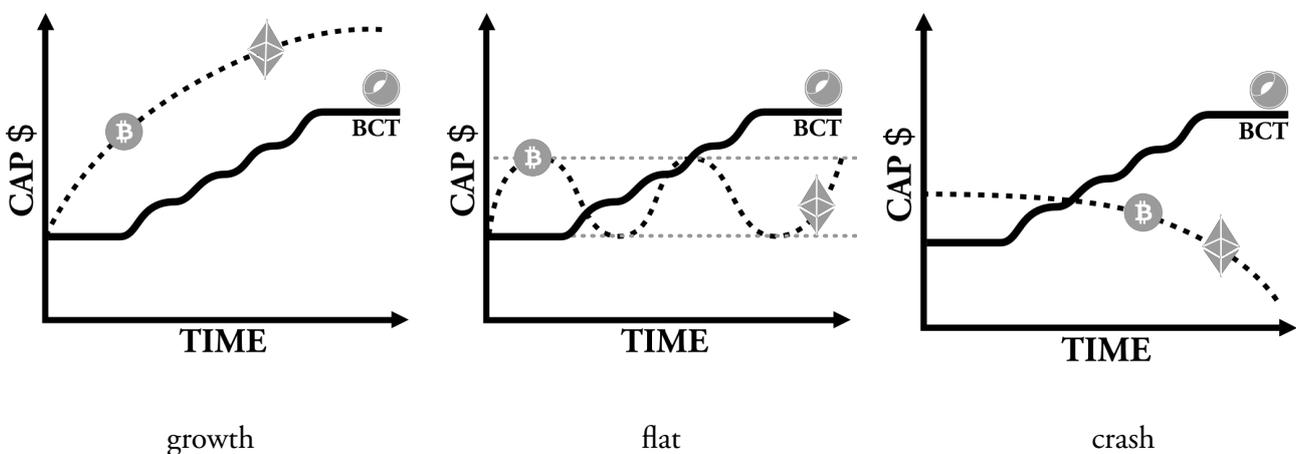
The BaseCore Platform commitment to redeem tokens have a goal of guaranteeing new characteristics for the cryptocurrency segment:

- Creation of a token that has a self-secured intrinsic value of traditional assets – financial investments in business. Imparting and filling with high liquidity low liquid but potentially prospective assets.
- Entering investment objects that are inaccessible to all other types of collective coinvestment (crowdfunding and etc.) into the cryptocurrency market.

Part of the means invested into the BaseCore project at every moment in time carries out the function of providing stability to the token resistant to rates falling as a result of a temporary decline in the characteristics of the investment token (its intrinsic value) as well as the impact of negative market trends and factors (a decline of cryptocurrency or traditional financial markets).

Markets of traditional financial tools and most existing cryptocurrencies today develop according to a threefold model (70% of its lifecycle being flat, followed by a short-term growth (15%) or a decrease in value (15%) depending on their cyclical development). The BCT token price change model has significant advantages during flat or falling periods on other types of markets (for about 85% of their life cycle).

Characteristics of BCT dynamics in comparison to traditional movement models on financial markets are given below:



The creation and use of a fast liquidity fund in the amount of 20-40% of the total investments in the BaseCore project is a fine-tuning instrument designed to provide a stable rate known as the base redemption price (or the internal BCT rate).

The establishment of such a price assumes the unconditional commitment of BaseCore to redeem tokens from their holders.

The base redemption price (or the internal BCT token rate) is used for issuing orders and the token's initial circulation on the BaseCore platform. Essentially, it is the minimum cut-off level, below which trading BCT tokens is impossible.

The reduction of token circulation price on public exchange resources, where the BCT token will be presented, is formed by the ratio of open demand and supply, and is also protected by the mechanism of direct arbitration.

1.4. Arbitration.

Tools for ensuring liquidity and a stable minimum redemption level of the BCT token are as follows:

- direct redemption of the tokens from their holders at the base redemption price on the BaseCore platform with the means from the liquidity fund;
- attracting investors to trade on the BaseCore platform (including existing large BCT token holders) interested in obtaining a guaranteed return by means of direct or reverse arbitration.

Direct arbitration in this case means redemption at the base price with a subsequent sale higher than the base price on third-party exchange resources where the token is traded.

Reverse arbitration means a buy-out from BCT token holders interested in selling on the BaseCore platform on special terms, paying only for the part of the transaction with actual financial means. At the same time, the investor has the right after the end of the blocking period to present the tokens for redemption directly to the BaseCore project at the base redemption price.

Conditions for each transaction of reverse arbitration are set individually and available in the personal investor account on the BaseCore platform. Reverse arbitration transactions that include actual expenditure of means from the liquidity fund are used in exceptional cases, when the personal liquidity provision fund of the BCT token is used rapidly.

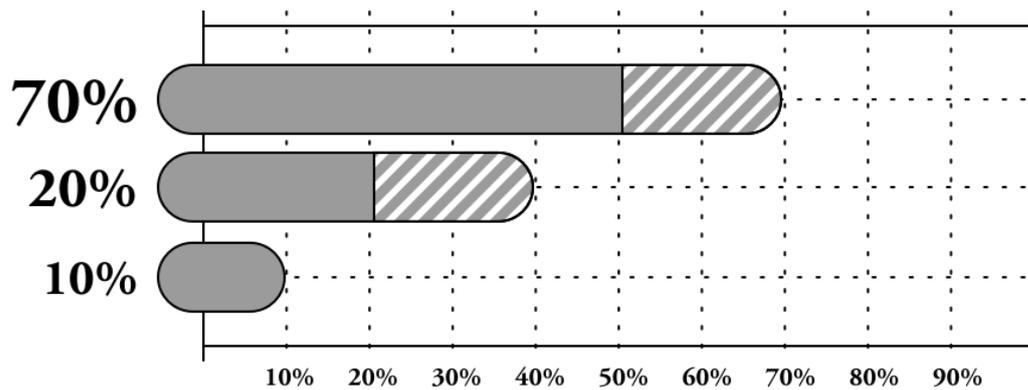
Using such peer to peer models will allow key project investors to have access to the opportunity (temporarily using their financial resources) of obtaining a fixed fiat yield on the ongoing redemption of tokens in the amount of 10-20% per transaction.

The main conditions to being admitted to carrying out arbitrage transactions will be:

- for direct arbitration: restrictions on the minimum value of the lot for token redemption;
- for reverse arbitration: restrictions on the minimum value of the lot for token redemption and setting a lock-up period (blocking period) for token redemption by the project from the investor.

2. The ratio of Investment and Stabilization components.

To ensure the stability mechanism of the BCT token, that is determined by its own intrinsic value or the underlying assets, funds invested into the project will be distributed in the following way:



50 - 70% (investment component)

investments in the purchase and management of rights on financial assets making up the portfolio of the token / financial investments in business of private companies

20-40% (stabilizing component)

creation of fast liquidity funds – a fine-tuning tool to maintain high liquidity in order to redeem tokens and ensure their initial circulation on the BaseCore platform

10% or less (operational component)

funding of operational costs of the project related to back-office and front-office support

Data on the collateral, assets that make up the intrinsic value of the token, the ratio and other reserves influencing the BaseCore base redemption price and its liquidity will be displayed publicly using all BaseCore services with updates at least once every 24 hours.

Interval levels.

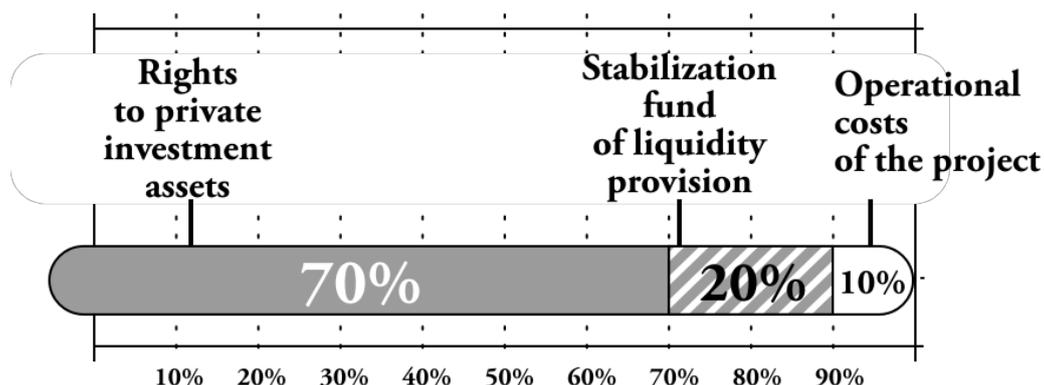
Interval investment levels and stabilizing components of the token are codependent and governed by the availability of market opportunities that allow achieving high diversification and managing portfolio risks.

The following ratio of the BCT token collateral components is proposed by us in order to maintain a stable price and a base minimum cost:

Ratio 1: -70 (direct collateral from financial investments) / 20 (liquidity provision fund)

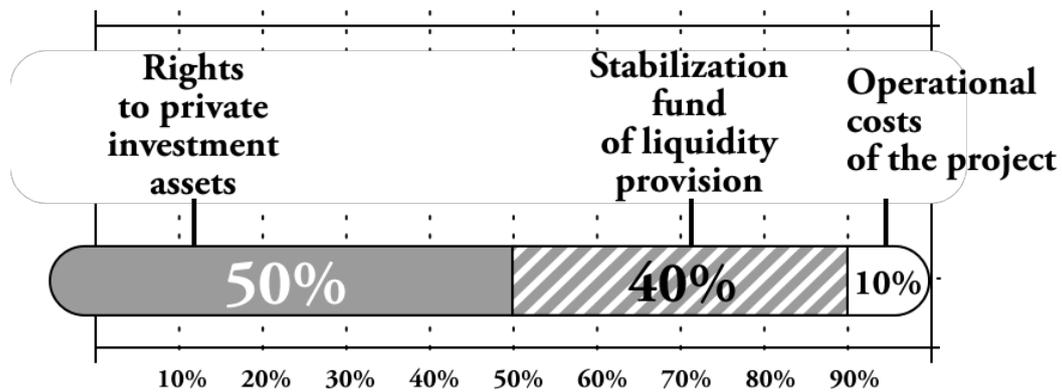
Considered as the target levels with opportunities of using a moderate / conservative investment strategy. This assumes token portfolio formation, where shares or investments into businesses of at least 15-20 various private companies are presented, while the investment risks are minimized and its maximum value for the entire portfolio generally does not exceed 20%.

This approach to the token structure formation is normal, BCT is used as a reference point (see figure below).



Ratio 2:- 50 (direct collateral from financial investments) / 40 (liquidity provision fund).

Considered as the minimum level in no opportunity to use a conservative investing strategy. This approach reflects an aggressive investing strategy with investments into businesses of 3-5 companies and an increased norm of the overall portfolio risk. It is assumed that this ratio can be used in the short term with portfolio restructure and in the absence of market opportunities to form a more diversified portfolio. The maximum portfolio risk can reach 50 – 70% (investment component) investments in the purchase and management of rights on financial assets making up the portfolio of the token / financial investments in business of private companies 20-40% (stabilizing component) creation of fast liquidity funds – a fine-tuning tool to maintain high liquidity in order to redeem tokens and ensure their initial circulation on the BaseCore platform 10% or less (operational component) funding of operational costs of the project related to back-office and front-office support up to 50% (see figure below).



Other ratio types are intermediate options (a combination of an aggressive and conservative strategies). At the same time BaseCore assumes the search for opportunities to move from any of the transition strategies to a normal (“basic”) strategy - 70 / 20.

3. Growth Model of the Base Redemption Price of the BCT Token.

Securing the BCT token by both the investment component and the fund resources maintaining stable rates and liquidity stands at the foundation of its stable base exchange rate being non-susceptible to decline on the BaseCore platform. At the same time, an increase in the capitalization of assets making up the investment component of the token (its intrinsic value) implies a gradual increase of the base redemption price.

An increment of the price received upon approach of a subsequent event of restructuring collateral assets (reevaluation of the investment component) is capitalized in 2 components:

| | |
|--|---|
| ++ BCT cap | |
| <u>Growth of the base redemption token price</u> | <u>BaseCore management fee /</u> BaseCore project’s additional income received in the form of issuing additional BCT tokens based on increasing the cost of the portfolio underlying the token |

All additional income of the BaseCore project in the form of issuing additional “collateral” BCT tokens will be directed towards attracting new investors into the project and replenishing the stabilization liquidity provision fund for the token. Given the above prerequisites, the expected changing model of the base redemption price of the BCT token in the near future presumes the following Roadmap:

- 1) The use of a personal protocol of exchange for the BaseCore platform for creation and circulation of individual tokenized assets, where the token is a company share.
- 2) Creation of premises for using the BCT token as a medium of exchange and reservation in the cryptocurrency space (the BaseCore concept: reserve cryptocurrency).

4. Circulation of the BCT token.

The BCT token will have 2 terms of circulation conditioned by the specificity of its concept:

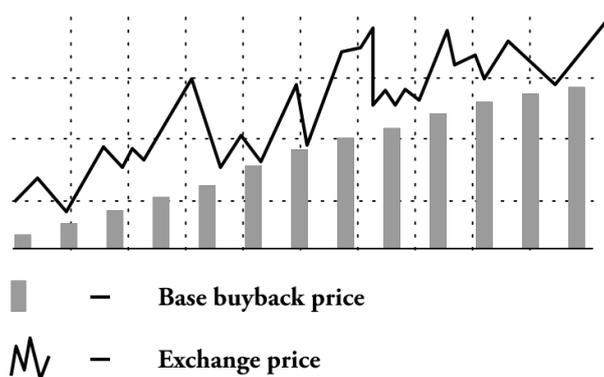
1 term of circulation is BaseCore’s personally developed platform. The investment wallet (or personal investment account) is a suite of tools, where the token is bought back from token holders, where an order structure for its sale and purchase in the form of P2P circulation mechanisms is created, and where community voting events are held.

2 term of circulation has to do with its entrance and unconstrained circulation as an exchange instrument on specialized currency exchanges for security tokens – Tzero and etc.

The presence of both of these terms of circulation assumes simultaneous coexistence of 2 types of BCT token prices – the base redemption price of the BCT token formed by the project on the basis of internal value or assessment of current market capitalization of all its private assets and the immediate unconstrained exchange BaseCore price, established on the basis of its supply-demand ratio during its circulation on third-party public exchange resources.

At the same time, the exchange price cannot fall below the established base redemption price, which is provided by means of simple asset arbitrage.

The ratio of growth and changes of the base redemption price (growth in columns) and BCT token market price on exchanges is given below:



5. Protection of cryptocurrency investments in the BCT token.

The structure of assets that constitute the value of the BCT token, which we developed, implies the protection of cryptocurrency investments in case of their significantly outpacing exchange rate growth in comparison with the dynamics of the token rate.

An approach like this will also be used at the stage of the initial formation of the BCT token investment portfolio in the form of investments in fiat currencies. In fact, it becomes an investment tool with a dual nature: it will include both investments in the asset market in the form of private IT companies and in the potential growth of the largest cryptocurrencies, such as Bitcoin and Ethereum.

In practice, this means that unlike most of the alternatives proposed, buyers of the BCT token who exchange it for BTC and ETH are given an additional opportunity to invest in the private IT companies market. It also ensures retaining all the possible profit if the value of “dollar” or “fiat” invested in the cryptocurrency token grows.

This makes the BCT token a universal investing tool which retains its effectiveness not only on a falling or unstable cryptocurrency market, when stable tokens are of need, but also during the periods of rapid growth of cryptocurrency market capitalization.

Given that the financial model of the business BaseCore assumes a dollar-based system of payment (when making financial investments in private companies), it was necessary to prepare an efficient and, at the same time, acceptable terms of costs solution in order to preserve all potential possibilities of the cryptocurrency investments opening to BaseCore investors.

The solution capable of implementing the described possibilities was the use of classical hedging instruments as a balanced option strategy applied to bitcoin tokens (and later to Ethereum as well), received from investors, which are already available on the American capital markets — exchanges, where options are being exchanged for cryptocurrency (bitcoin).

The costs of these instruments are insignificant and range from 0.5 to 1.5% of the value of the hedged portfolio. The source of these costs will be a part of financial resources of the token operating part, and later its reserves, with the increase of the liquidity provision fund of the token above the standard rates.

5.1. Temporary storage of other security tokens “free” liquidity of exchange platform in the BCT token

Trading other kinds of security tokens will be based on the principle of temporary free liquidity storage of all such tokens in the BCT liquidity provision fund, as BaseCore will organize the trading process on its own exchange platform.

This means that the part of the financial resources in the form of “free” cryptocurrency liquidity, attracted by other security tokens and temporarily not invested in “real” financial assets by a project that generated this token (or management strategy), will be placed in the BCT liquidity provision fund, increasing its stability. At the same time, such “free” resources, collected during the release of other security tokens in this free part, will be stable and will protect investors’ capital by investing in the BCT token.

6. More about the BaseCore Platform.

The BaseCore Platform is a platform that functions on our own exchange protocol Excalibur_ that allows direct security token trading.

The BaseCore Platform allows users that are considered certified investors and have passed the AML / KYC procedures, regulated by the BaseCore project in accordance with the US laws, to perform the following operations with this token type:

- Create personal security tokens, secured by real-world assets;
- Conduct crowd sales for personal security tokens;
- Invest with fiat currencies;
- Buy / sell / trade security tokens with no restrictions;
- Create a personal security token pool where many of the tokens are represented by a single token;
- Marginal trade;
- Also planned is a tool for working with portfolios and other security asset statistics;
- The portfolio’s status with all of its statistics and asset structures can be monitored on the BaseCore Platform’s website in real time.

The basic principles of the exchange algorithm of the BaseCore Platform are based on a personally developed exchange protocol Excalibur_, which is a 100% decentralized private tool for P2P asset trading in the Ethereum network. All of these technical solutions are realized within a user-friendly interface of the BaseCore Platform. Just as with Excalibur_, the basic algorithm of asset exchange is executed within the BaseCore Platform, fixing errors of other decentralized exchanges and solving basic security and interface accessibility issues on the servers of decentralized exchanges. Protocol Labs solutions are used to achieve maximum decentralization of the Excalibur_ product. IPFS protocol placement allows any user to quickly access the interface regardless of the efficiency of the servers and etc. IPFS also eliminates DDOS attacks and similar actions that exchanges often face. Each new IPFS release of Excalibur_ has a unique hash, which also eliminates any source code forgery. The community can always verify the relevant hash or just download the local version of the exchange.

Learn more about the protocol features of Excalibur_* and the BaseCore Platform [here](#) and [here](#).

* At the moment, the project is at its stage of closed alpha testing in the Koran network (you can receive an invite via this link [GitHub - xclbrio / wiki: Excalibur Wiki] (<https://github.com/xclbrio/wiki>)).

* A local IPFS version is also available here: <https://github.com/xclbrio/ipfsWebDist/releases>

* If you encounter an error, please notify us: <https://github.com/xclbrio/wiki/issues>