



# Gates Ecosystem

GET Ready for Success

WHITE PAPER 1.0

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# Introduction

The cryptocurrency market is developing rapidly: capitalization is growing, the price of the pioneer bitcoin and the number of new technological projects is growing. Since 2014, a large number of promising projects have been created that have brought many interesting solutions to the cryptocurrency community and business in general. Every year we hear about new business giants and even entire countries that have integrated cryptocurrency into their ecosystem. The example of El Salvador shows the readiness of state structures to integrate cryptocurrency as a means of payment, and private business, regardless of size, has already begun integration. Blockchain technology really brings a lot of opportunities to speed up and automate many processes for an existing business, and is also a valuable asset in terms of investment.

It is important to note that such rates of market development are only one side of the coin, because there is also the other side. The popularization of the cryptocurrency market and blockchain technologies attracts a huge number of investors and users, and the imperfection of the legal framework and the lack of regulation make this investment option a very risky business. Even today, we see a lot of bankruptcies, inorganic downfalls and project closures. The situation with Terra LUNA, USDN from Waves and, of course, the largest bankruptcy in the history of the crypto market - FTX Exchange shows how young the market is and how poorly protected.

Of course, such a pace of development of cryptocurrency as a market and sad cases attract the attention of regulators to protect users and citizens of their countries. The attention of the regulator means not only an assessment of the behavior of projects, but also the integration of the market into the existing financial system, followed by the development of new regulatory legislation for the industry. Only at the moment, we see a large number of cases where the regulator makes tough decisions regarding large market projects: a fine of the Kraken exchange for \$30 million for improperly organized work with users from countries on the

sanctions list; a fine for violating the policy of working with staking , as an analogue of the bank deposit system, and this is just the beginning. We also see a level of control over the FTX Exchange case, where the regulator puts a lot of effort into bringing the project to bankruptcy liability. There are even comments from SEC representatives about their view of cryptocurrencies. Statements about BUSD and the shadow that fell on Paxos after that, as well as the opinion about Bitcoin as the only cryptocurrency that cannot be a security, of course, determine the vector of the direction of regulation taken by the SEC. Of course, this is just the opinion of high-ranking representatives of one of the main financial regulators, but practice shows that the trend has already been outlined.

All this means the complication of business processes of blockchain companies due to additional requirements for projects and bringing them to the standardization of processes, including the tightening of policies for working with users. At the same time, the salaries of employees who have blockchain expertise or understanding of the market are growing every year and are on average 30-50% higher than the market, are a consequence of the youth of the market. The current number of competent specialists is not able to meet the growing demand of the industry. The complex process of finding employees slows down the development of the industry and leads to the complication of the process of launching projects. Even the most interesting and necessary solutions can be broken by business processes or regulator requirements.

## Popular Services

Let's look at the necessary web 3.0 business solutions based on the basic principles of regulatory oversight.

- ✔ **Cryptocurrency processing** is one of the key options in the crypto world, but few people understand how complex this system is. In addition to the need to support nodes , which can only be performed by specialists, it is necessary to properly build a system for replenishing and withdrawing digital assets, taking into account the individual characteristics of each network, not to mention licensing.
- ✔ **KYC/KYB** verification is a system for assessing individuals and legal entities in the form of checking clients for being on sanctions or terrorist lists, as well as verifying them as clients;
- ✔ **KYT** is one of the main specifics of the cryptocurrency, which is required so that the project does not get a cryptocurrency involved in some kind of scam or funds that are under sanctions. The lack of such protection can not only harm the reputation of the project, but also entail serious fines and even criminal liability.
- ✔ **Compliance with regulatory requirements** is essentially the work of the project within the legal framework and compliance with the rules for working with one or another type of operation. For example, compliance with GDPR requirements, availability of licenses for working with cryptocurrency and its storage. To obtain such certificates and licenses, there are always a lot of regulator requirements that need to be implemented.
- ✔ **Fiat processing** - although it is not a basic process for crypto companies, there is an urgent need for its processing, because this is one of the main needs of users. Requirements apply to this process, which is much tougher than to the processing of crypto assets .
- ✔ **The exchange of crypto assets for fiat** is a basic process in crypto companies , which is due to the massive development of cryptocurrency as a payment instrument. As a result, all the same requirements apply to this process as to the processing of crypto and fiat assets and even more.

This is only a small part of the complex aspects that projects face in modern realities, although just a couple of years ago there were no such nuances. This forces projects to seriously change, rebuild their processes, which ultimately hits development and their budget. Compliance with all rules, policies and processes requires specialists and professionals, because their safety depends on it.

## Summary

Based on market trends, namely the growing regulation, the lack of industry specialists, we see great challenges ahead for start-up projects in the blockchain world, which are already becoming a reality. Only large infrastructure projects can afford to assemble a competent team for a full-fledged launch and development of a product.

As a result of the current market conditions, companies are forced to use many external disparate services. This directly, negatively affects the cost and quality of products and services, the efficiency of processes, overloads the team and significantly complicates the onboarding process . The emergence of a universal service that covers all the needs of projects is an obvious step in the development of the industry.

# 1. Market Overview

Often, when choosing a service provider, projects make an analysis of services based primarily on the requirements of the legislation and the regulator in relation to these services. It is important to note that the breadth of their service spectrum also plays an important role. For analysis, many evaluation criteria are usually taken into account, for example:



**Experienced and public team of professionals** – the team is of great importance when choosing services, because it's nice to understand who you work with.



**Jurisdiction of the project** - many projects operate outside the European jurisdiction, which is often very important for projects that are registered in this sector.



**Properly built compliance process and transparent terms of cooperation.**



**The width of the range of services** - its lack for the project can often become a point of failure.



**The cost of services** is always an important factor, especially for projects of medium and small businesses.



**Compliance with the policies and regulations of the regulator** - these can be GDPR, ISO, PCI DSS and other important standards.



**Availability of required certificates and licenses.**

These are the basic criteria that many companies use before integration, but often in practice the administrative resource does not allow a complete analysis. There can be several resources on the integration, complicating the communication process and forcing projects to pay less attention to minor details that, at the end of the integration, and sometimes already in the process of work, can turn out to be



critical. Disabling the service in this case, of course, is easy, but the time spent cannot be returned.

The project team did not just conduct research , but traveled the path, working with different types of projects, accumulating and combining their experience in products from different market segments. We have identified 3 key process segments that are most often required by blockchain projects or projects that want to enter this world: cryptocurrency, verification and fiat systems.

## 1.1. Crypto Systems

The global payment gateway market size was estimated at \$65.37 billion in 2022, \$74.79 billion in 2023 and is projected to grow at a CAGR of 15.78% to reach \$211.18 billion by 2030 year. (1) Evaluating cryptocurrency systems, we can distinguish a number of groups into which they are divided:

- ✔ **CryptomERCHANTS** are systems for depositing and withdrawing cryptocurrencies. Such services are usually specialized and provide really good services in terms of cryptocurrency processing, however, the range of services leaves much to be desired, basically it all comes down to I/O and processing;
- ✔ **Blockchain** services are services for integrating specialized services to build their systems. For example, exchanges, node systems and similar structures that are usually focused on specific services such as trading. Node services and cryptocurrency processing are secondary and often less developed, but have a wider range of ecosystem services, such as subaccounting , merchant and submerchant services, referral programs, etc .;
- ✔ **Decentralized systems** - products that allow you to perform operations in a non-custodial way, such systems close the issue of secure storage and processing of assets without the need for verification or transfer of assets for temporary use.



	CryptomERCHANTS	Blockchain-services	Dec. _ Services
Cost of services	0.4-10%	High	Medium
Jurisdiction	Europe	The whole world	BVI/Seychelles
Storage type	Custodial	Custodial	Not custodial
Licensing	Wanted	Not always required	Often not needed
Level of regulation	Medium	High	Weak
Certification	Not required	Not required	Contract audits
Onboarding	Fast	Average	Absent
Team	Public	Public	Not public

Table 1. Analysis of cryptocurrency system services.

The purpose of Table 1 is to visualize the main points of interaction during integration and show that projects have a clear focus for the most part, and the breadth of the range of services is often paid for by large commissions. As a result, services that offer a node solution do not cover the entire need for replenishment processing and are often not always in a regulated plane. If we look at cryptocurrency processing services, we also observe that not all of them meet the requirements of companies. Most often, such services are themselves intermediaries or just similar services, and therefore the prices for such a solution can be excessively high, especially if you start from scratch.

## 1.2. Verification Systems

The verification services market from 2017 to 2022 showed growth of more than 250%, increasing from 150 to more than 400 million dollars. According to forecasts, by 2028 it will increase by another 321% - up to 1.374 billion dollars. The capitalization of companies that operate in the verification segment is several tens of billions of dollars. After analyzing a number of significant companies in this

segment, we saw a trend in the growth of the staff, as well as the opening of new offices in other countries. This confirms the increasing demand for services and the need for market participants to scale. (2.3)

The complexity of the verification system makes this market difficult to compete, since the standards for such systems are extremely high, and this is due to the fact that these systems are used in financial institutions, including the banking sector. Verification services are divided into 5 main groups according to the type of verification:

- ✔ **Video Verification** — Real-time identity verifications are usually provided by a third party company. Integrating the software into their system allows clients to upload official documents to the site. Supported identification documents may include passports, driver's licenses, or residency permits . ( 2.3)
- ✔ **Biometric Verification** — Another growing area of identity verification for KYC is the method of using biometric technologies. It includes physical parameters unique to each person, such as face identification, voice recognition, or fingerprint identification. In KYC, biometrics is often used in the authentication phase to verify the identity of the person performing an action.
- ✔ **Blockchain verification** — the logic of checking the chain of transactions in the network for the selected cryptocurrency for wallet evaluation and AML verification. Also this system is known in the market as KYT. ( 2.3)
- ✔ **Digital Footprint Analysis** — The need for digital footprint analysis is to rely on user behavior, social media presence, and online history to confirm that they are indeed real. You can also get a better idea of who you are dealing with by checking the tools that have been used. For example, an email address or phone number can reveal a lot of information about someone. The same can be said about the devices to connect to your site. ( 2.3)
- ✔ **Verification based on machine learning** — automation of the verification process by training a neural network. It's about using automated systems to speed up verification and deal with a wide range of applications, whether it's image quality checks, document digitization or risk rule proposals. ( 2.3)

Each type of verification is determined by the task for which it is performed, and the type of verification brings the necessary result based on the algorithm embedded in it. This explains why neural networks and systems built on them are gaining popularity, as it allows you to automate data analysis processes and train the system on its mistakes. The legal component of such services is impeccable, but the cost of services is extremely high due to the manufacturability of the process and the many requirements for it. There is a huge difficulty in passing compliance to work with such companies, because they are not adapted to work with cryptocurrencies, but are more aimed at the banking sector and the provision of private services to medium and large businesses.

### 1.3. Fiat Systems

After the advent of cryptocurrencies, the need for payment instruments has greatly increased, because an ordinary user needs to somehow buy it for fiat to enter the world of cryptocurrencies . Since banks do not provide this option, the market has begun to invent new systems for buying fiat . This is how payment services appeared that allow processing cryptocurrency and fiat , including exchange, replenishment and withdrawal to cryptocurrency exchanges, integration for participating in various activities. This created a division in fiat systems into 2 types:

- ✔ **Payment systems** — such systems are built on payment gateways or on the principle of p2p payments and are very expensive in terms of integration into cryptocurrency services, but very often they have pleasant compliance and high integration speed.
- ✔ **Payment gateways** — structures built on banking systems that have stricter compliance with all regulatory requirements in the jurisdiction of the project. This is compensated by commissions, as they are close to banking ones.

	Payment system	Payment Gateway
Cost of services	3-6%	0.5-2%
Integration speed	10-20 days	45-60 days
Complexity of integration	Medium	High
Licensing	License required	EMI
Certification	not required	PCI DSS
Jurisdiction	the whole world	More often Europe
List of currencies	limited	Wider
Range of services	wide	narrow
Duration of cooperation	six months to a year	unlimited

Table 2. Comparison of fiat structures

Table 2 reflects the regularity of the cost of services from the adaptability of the service to the cryptocurrency market. It would seem that the lower the commission, the better, which means correctly integrating the gateway, however, in practice, the complexity of compliance with the gateway is so high that it may be impossible for a cryptocurrency project to pass it. At the same time, cooperation with payment systems can be extremely expensive for users, and most often partnerships with such services are short-term .

This area for cryptocurrency is very dual: on the one hand , services with non-standard schemes provide more flexible interest rates and have simplified compliance, but at the same time they have obvious holes in the legal spectrum and are not suitable for responsible business. On the other hand, companies with well-established legal processes often make unrealistic demands for young projects and have exorbitant commissions. In the absence of a complete understanding of market regulation trends, in an effort to protect themselves as much as possible,

they put forward such compliance requirements that complicate the already difficult project onboarding . The problems of the two groups have an understandable root: the first, mainly come from the cryptocurrency world, with no experience in the financial sector, and the second, on the contrary, from the world of big business, who do not know the specifics of working in the cryptocurrency world.

There are also mixed systems — sites that combine a number of services from different segments, but often the premium for the expanded spectrum is so high that they are simply not used. This is especially common in fiat services, where cryptocurrency processing is available, its exchange for fiat and vice versa.

## 1.4. Summary

After analyzing these services, we see that today the vast majority are not ready to work with a regulated cryptocurrency. The fact of the lack of a service ready to provide a full range of services is also clearly expressed . This creates great obstacles for projects and users, because in fact it leads to the need to come up with complex interactions of many services. Far from always, such projects manage to create the right legal structure, which leads to disastrous consequences for everyone. One example of this can also be fiat processing , which uses its built-in user verification service to process payments. At the same time, it is not available for use by third parties, which forces users to undergo KYC many times, providing a huge amount of documents and often leads to refusal to use.

On the other hand, trying to build all these processes on your own requires not only huge expenses and experience, but also obtaining a large number of licenses. If we take into account all the requirements for building an entire ecosystem, then this may entail such significant changes in the whole idea, product or service as a whole, in which their implementation may lose all meaning.

## 2. E-Gates Solutions

The main idea of the project was formed by the need of the global financial market for solutions that allow integrating into the blockchain industry with minimal effort, but at the same time complying with regulatory requirements and standards.

In the world of crypto assets and the specifics of their introduction into our lives, two questions are globally raised: the first is the regulation of cryptocurrencies in general and the ability to protect consumers and companies. Regulatory processes around the world are gaining momentum, and the only question is when we will eventually come to 100% regulation. The second question is mass adoption and ways to accelerate it at all levels. Mass adoption will increase the convenience and availability of cryptocurrencies for daily transactions (the more people use cryptocurrencies, the more merchants will begin to accept them as payment).

Also, with the increase in the number of users and companies in the crypto market , the demand for new products and services will grow, and this, in turn, will lead to increased competition and innovation in the industry.

In addition, we are talking about the global availability of assets: cryptocurrencies can be used anywhere in the world if there is an Internet connection. This makes them a more affordable alternative to traditional payment systems that may not be available in certain countries or regions.

Today, the pioneers in WEB3 provide themselves with rapid business growth. Companies that operate with cryptocurrencies are many steps ahead, while others are lagging behind, losing profits. Our ecosystem products can make it easier for those who have not had time to adapt to enter the digital asset market and help scale their opportunities.

## 2.1. Payment Gateway

The importance of the payment system in the world simply cannot be overestimated. In all sectors and market segments in our time, there is no business that could develop freely with the absence of cashless payments. “With the advent of cryptocurrencies, the world has changed forever,” many will say, but regulators and projects that have already encountered the processing and processing of cryptocurrencies will not agree with this. Crypto payments are the same type of non-cash payments as bank transfers and have a more developed and optimized structure in terms of technology. The more the blockchain industry develops, the more companies begin to look at the possibility of supporting crypto payments and, of course, unknowingly face many problems.

### 2.1.1. Crypto Problematic

Modeling the stories of an average and non- blockchain project shows what obstacles hundreds of companies face on a daily basis. A young and ambitious project or an ordinary business that wants to integrate cryptocurrency payments starts looking for platforms that will give it this opportunity, meets very favorable conditions for accepting and withdrawing cryptocurrency, and starts accepting payments in Bitcoin , Ethereum , Teather and other cryptocurrencies. Having connected the service, the project was given full information about commissions for depositing and withdrawing, but no one told about what awaits it next.

**Obstacle 1.** It turns out that cryptocurrency can be volatile and no one explained to the business that after receiving the cryptocurrency, it needs to be converted into stablecoins , or immediately into a non-cash format, because bitcoin and any other cryptocurrency today can have the same price, and tomorrow many times lower, which causes direct damage to the capital and income of the company.

**Obstacle 2.** Of course, having once lost on the volatility of cryptocurrencies, and as practice shows, even stablecoins can be volatile, the project will think about how to start converting cryptocurrencies to fiat , and then new introductory ones appear. It would seem that such a simple operation, and the interest is high, especially on business volumes. The price for



conversion can reach 5%, which are not included in the cost. This is one of the most common problems in general - a misunderstanding of the final cost of the service, but more on that later.

**Obstacle 3.** Having gained experience, the business includes commissions in the cost and adapts to volatility. And then a terrible thing happens - cryptocurrency processing projects stored money unsafely. Hacking, use of funds for other purposes, storing them on an exchange that could not provide a withdrawal, blocking as a result of unscrupulous accounting of the project, which could not pass the AML check, and so on. Such a list of risks and potential problems is unlikely to add enthusiasm to the traditional business. Choosing the right service provider is critical in this still volatile market.

**Obstacle 4.** Even after one of the three cases, 90% will not return to cryptocurrencies and will lose a large audience of people in a potentially multibillion-dollar market. Moreover, the reputation of the project that decided to try is also lost, because the problems do not disappear anywhere. Let's imagine a slightly different course of events, when a project that is more experienced and strong, from the point of view of the development team, does not use third-party services, but solves the problem itself. The cost of organizing blockchain development processes in a market with enough experience to support such an infrastructure is simply incredible. A blockchain developer costs an average of 30-50 % more than usual, but even this is not the biggest problem. Node support requires a large number of powerful servers, the conscientiousness of developers can not always be at a high level, support of nodes and transaction processing systems is very difficult work and requires a large and experienced staff, the total cost of supporting your solution is much higher than the average for working with service providers, and the risks of losing funds can become even much greater. And these are just the main problems that a project that decides to organize this process on its own faces. As a result, these problems are exacerbated by time due to the exponential increase in the number of systems that need to be maintained, updated, scaled and maintained.

**Obstacle 5.** It would seem that the problems are not so significant and, if you try, after years you can come to a stable solution. It would seem that non-custodial solutions can be used, and a way out has been found, but no matter how. Business is primarily a game by the rules,



which means that you need to comply with all laws in the jurisdiction of your work. AML is a familiar acronym, but how does it relate to cryptocurrency? The answer for many may be surprising - this connection is actually very serious. Cryptocurrency has value, and like any valuable asset, it can be used to buy and sell anything, including illegal items. Also, valuables may be at risk of being stolen, prompting law enforcement to investigate the quality of the assets. This is where problems come in. Fiat funds have clear systems against money laundering and controls against illegal activities. Cryptocurrency is different, which creates risks of getting a wanted or even sanctioned cryptocurrency. And even the cryptocurrency received from the most dedicated user can be tainted, which sooner or later will lead to blocking when trying to use it in regulated cryptocurrency ecosystems, such as exchanges. This is where KYT comes into play (know your transaction) - a system that allows you to determine the quality of funds received from a client, and determine in time how much the received asset can be stained and whether it is worth accepting it. This service, of course, is paid, which is not very good for business (but even worse when it is not there). Still, ignorance of the law is no excuse.

Of course, these are just a few examples of situations in the industry. The threshold for any project to enter the field of cryptocurrency processing is so high that the fear of this industry on the part of ordinary businesses is growing every day. At the same time, the need for such integration also increases, because cryptocurrency has become one of the trendy payment methods for people. The speed and ease of operation by an ordinary consumer is many times greater than the services of the banking sector, despite all the problems of a young industry. Summarizing the above, we arrive at the following:



Very few stable solutions on the market;



Even market leaders have huge risks in asset management;



Self-management of the process can lead to losses;



Misunderstanding of the industry leads to even greater losses;



The final price for services in most cases is unknown;



Processing requirements are constantly growing;



High requirements for the development of policies and rules of use;



Donstant mark-ups of services for services;



Unstable regulations.

All these problems are relevant in the market, and their number will only increase. Before defining a solution, consider fiat payments.

### 2.1.2. Fiat Problematic

Of course, the fiat control system is debugged like a Swiss watch. Business is so adapted to this system that it simply makes no sense to compete in this niche. Or not? Still no, because the most progressive market of the 21st century has its Achilles heel. It is a paradox that the market, formed on the most powerful transaction system in the world, designed to optimize the banking segment and replace fiat assets, has a huge deficit in its processing. However, this is the reality of the market. Even the most correctly and structurally built cryptocurrency project can face hundreds of solutions, none of which will cover all needs. Moreover, the stability of such projects leaves much to be desired. Of course, there are solutions that cover the needs, but these are forks fiat systems and the rules that are understandable to them are often incomprehensible to players in the cryptocurrency industry.

A new open niche in the form of a crypto market , in fact, is an unbridled mustang that rushes into the field to freedom, and an experienced rider regulates and limits it in this. The problem is obvious and has one explanation - the difference in views and systems. The giants of the cryptocurrency world are not used to the rules of the game with fiat and vice versa. To summarize the problems of fiat when working with cryptocurrency:



High demand for the processing of fiat currencies in the crypto market;



Lack of legally well-constructed solutions;



Unstable commission policy;



There is no clear end indicator of consumption;



Different compliance for different currencies;



Lack of a unified and understandable system;



The complexity of policies and rules of use;



Lack of understanding of the crypto market fiat installations.

### 2.1.3. Necessary Solution

Fiat and cryptocurrency are like 2 magnets with different polarities that are constantly changing - they are rapidly trying to attract each other, while small changes in the polarity of one repels the other.

Cryptocurrency exchanges feel these problems more than others, because taking into account all the requirements in one ecosystem requires the development of a huge amount of information, as well as highly qualified specialists from different fields, which directly affects the quality of the services provided. Of course, in case of neglect in compliance with the requirements, the users of these sites suffer. Moreover, the realities of the market are such that the monopoly formed on the market stifles start-up projects, because the crypto community lives by the rule: better proven old than dubious new. The complexity of building

processes, the requirements for the quality of specialists and the budgets necessary to build a business exceed all expectations, while the investment component is just beginning to develop in the cryptocurrency world. This forms a monopoly, because those who are able to follow all the rules and keep up with all the changes are long-established projects with a clear system of profitability and large budgets sufficient for this. Monopoly and low competition give rise to high-profile bankruptcies and downfalls of projects, which entail serious consequences for users. In other words, the market is waiting for a decision with:

- ✓ the possibility of processing cryptocurrency;
- ✓ compliance with the requirements for the processing of cryptocurrency;
- ✓ checking the purity of cryptocurrency transactions;
- ✓ legal transparency of the decision;
- ✓ availability of all licenses and permits;
- ✓ sufficient experience of the project team;
- ✓ orientation of the processing solution;
- ✓ fiat processing;
- ✓ transparent and structured compliance;
- ✓ understandable final cost of decisions;
- ✓ business adaptability of the solution;
- ✓ simple integration;
- ✓ combining all needs into one solution.

As a result, we get a solution that the project can simply connect and start working without having to worry about changing the rules of the game in the market, because professionals will do it for it. A clear final cost, simple compliance, a single ecosystem of solutions and legal transparency - this is a well-defined need for both standard business and cryptocurrency ecosystems, a solution that brings together two market segments.

#### 2.1.4. E-Gates Technology

gates Gateway technology - aggregation of leading European industry solutions, together with our own developments that connect various tools, allows us to provide the best solutions for fiat processing , KYT compliance, adding to this a wide range of services .

The technology, built by experienced market specialists, allows you to process fiat and cryptocurrency for both standard business and cryptocurrency ecosystems, including the conversion of one asset to another.

The blockchain solution is built on its own technical solutions, does not depend on 3 persons, which makes the system truly decentralized and does not involve third parties in the form of exchanges or other intermediaries to store assets.

Fiat processing solutions are provided with the involvement of partners, using innovative developments from leaders in the field of financial and banking services.

The fiat-to-crypto conversion system is built on an over-the-counter ecosystem and is based on the needs of users and the market, which allows you not to overcharge the conversion or settlement fees for customers, reducing the final cost of services to the business.

#### **Together we have solutions with the following characteristics:**



Processing of the top 100 cryptocurrencies in the world;



An expanded list of fiat processing and payment services;



KYT verification is the default service;




Clear final cost of services;




A legally correct solution;




A single point of integration for projects;




Availability of own solutions for the storage of assets;




Having your own system of nodes ;




Sub-account management system ;




Understandable scaling logic;



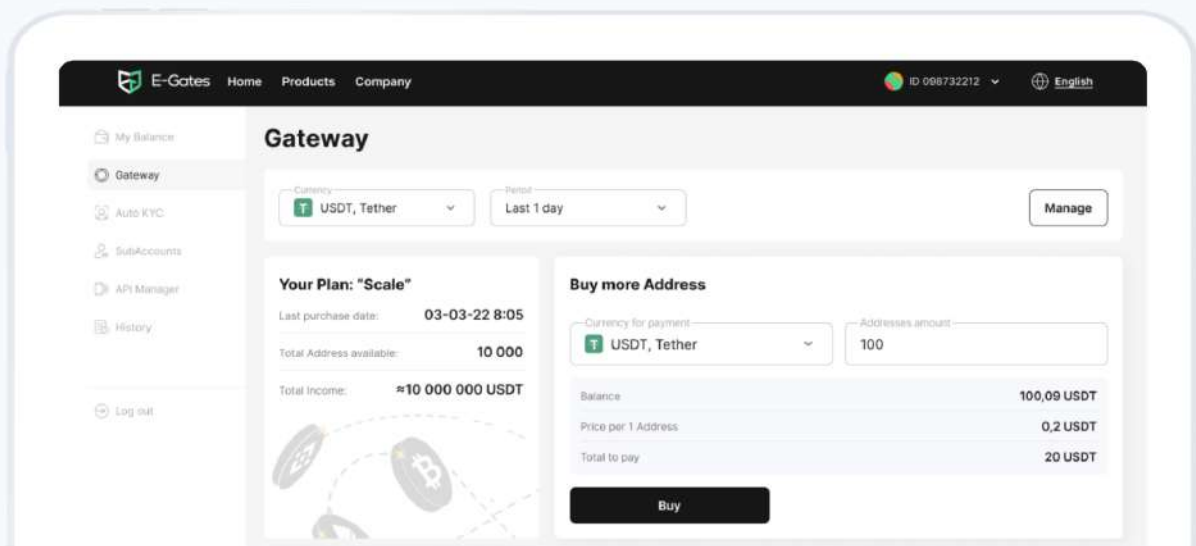
Convenient compliance;



European standards and legislation;



European certification for integrated solutions

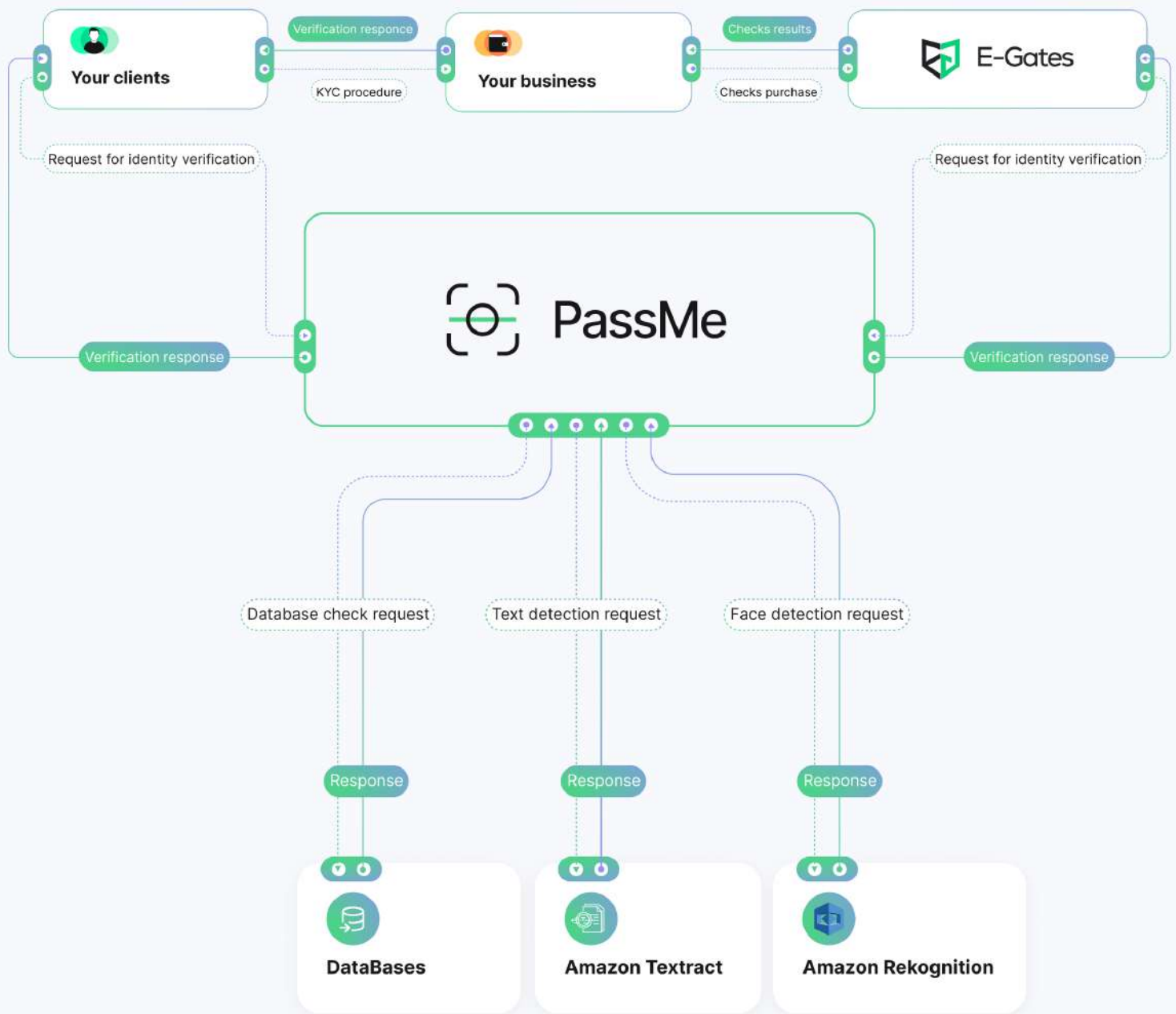


E-Gates Payment Gateway is a unified solution for processing cryptocurrencies and fiat with a transparent work policy. This allows it to be an integrated end-to-end solution in the market for processing with the function of selling other services as an end-to-end solution in the market.

## 2.2. PassMe Service

AML procedure is the most important requirement of regulators for user verification on a project. Each project must have a clear idea of who performs financial transactions on its service. This process allows you to avoid the registration of fraudsters and reduce the number of illegal transactions through the service, and if such actions have been committed, then the information received is sent to the representatives of the law, subject to all the requirements of the law. This has been embodied in the form of KYC (know-your-customer) as a verification system for individuals and KYB (know-your-business) as a verification system for legal entities. In the case of KYB, the verification process, even in automated services, is manual or semi-manual due to the need to check registries, the reputation of the project, and much more. More importantly, everyone has their own requirements for partners, although they are mostly standardized. As part of KYB, you still need to follow the KYC procedure, since you need to know who exactly represents the company to work on the project, and whether this person is an authorized person for such actions. This is why the KYC verification process is so important today.





### 2.2.1. Manual Verification Model

The process of verifying an individual KYC seems to be quite simple, because all that is needed is to get the user's documents, his selfie, data on the place of residence and verification of sanctions lists and terrorist databases. At its core, the way of verifying one user is really simple, but mass character adds to the complexity. The main task of any start-up project is to make itself the maximum flow of registrations (read: verifications) in order for



the product to be successful and to be used by as many customers as possible. Less experienced project management usually takes the simplest decision and takes over the entire process by setting up a lawyer or an AML officer who checks the submitted documents for compliance with the requirements of the regulator and the quality of the data provided. On average, such a check by a responsible person, subject to all procedures, takes about 5-10 minutes, depending on the quality of the check. A normal working day is eight hours, that is, such an employee can perform 50-100 checks per day. On average, the salary of such an employee is \$1,500, that is, the cost for a business of one verification is from \$0.68 to \$1.36 per check. Of course, the cost of one verification has a wide range, given that more than 100,000 people have passed verification on the project, then for the project this ranges from 68 to 136 thousand dollars. Of course, in different regions of the world, different salaries of employees and in some regions can sacrifice quality and pay, bringing this figure to a minimum, while at the same time greatly neglecting the results of the audit.

**Of course, in the aggregate, such validation logic has its own problems:**

- ✖ Multiple submission of the same documents;
- ✖ Submission of false documents;
- ✖ Submission of third party documents;
- ✖ Submission of documents that were posted on the Internet;
- ✖ Submission of invalid documents;
- ✖ Omission of errors when filling in data;
- ✖ Skipping documents without MRZ (machine readable zones);
- ✖ Errors due to human factor.

This is only part of the total mass of problems with this type of process building, which leads to their exponential growth on the project, loading both the technical department and the customer support.

### 2.2.1 Automatic Verification Model

Automated services are projects based on the algorithmic construction of a verification procedure or a solution based on training a neural network with constant development on various cases. The development of such technology requires a serious amount of investment, which affects the price. The average cost of such a check is about \$2-\$4 for a business. That is, for 100,000 people, the amount of expenses is 0.2-0.4 million dollars, which is a very significant amount for the project. From a procedural point of view, process automation is a better choice, albeit more costly. **All the described shortcomings of manual verification are eliminated by a high-quality automatic system, but others arise that are rather non-obvious at first glance:**

- ✖ a person has a higher check quality score;
- ✖ the cost exceeds the manual several times;
- ✖ dependence on the base of already verified users;
- ✖ automatic verification is still an algorithm that, if not properly supported, has its own vulnerabilities.

Of course, if you find a quality service, all these problems are unlikely or easily eliminated, but this does not negate the amount of payment for a project based on the need for maximum scaling.

There are 3 types of projects that deal with the problem of user verification in different ways, in fact there are more of them, but illegal options are not considered in most countries of the world.

- ✔ **Projects based on direct payment for services** include the cost of verification in depreciation costs, however, the price of the service may not always be high enough for such a fee to be hardly noticeable to the user.
- ✔ **State systems** are built on financing from taxes and more fulfill the role of optimizing the country's costs for bureaucratic processes, which, although it does not shift the cost to the user, optimizes the costs of the state apparatus;

- ✓ **Sites based on a service commission** - banks and exchanges suffer the most from this type of service, since it is difficult to include them in depreciation costs, because in fact such services do not have direct sales, and income comes from the commission for operation, which is not always may cover verification costs.

### 2.2.3. Summary

In the first and second categories, the cost of the service is not as important as its officiality, because the user himself, in fact , pays for verification in the form of taxes, fees for the purchased product or service. In the third group, banks suffer from this problem to a lesser extent, since their income is formed within the framework of the functioning of the general banking system. Also, new banks, similar to Wise or Revolut , have the ability to physically sign contracts and verify the user upon delivery of the card, receiving it by the client at the bank branch. But crypto market participants do not have such an opportunity, because interaction with users is 100% remote. This means that the risks for such sites are maximized, and their level of income is not always large enough to cover the costs of such an expensive verification.

### 2.2.4. Solution

PassMe verification system solves , having the cost of one verification comparable to manual verification and offering services of the same quality as automated services.

#### Choose PassMe Plan



Basic	Full	Premium
≈ 0.2 USDT / Check	≈ 0.5 USDT / Check	≈ 1 USDT / Check
<ul style="list-style-type: none"><li>Face Recognition</li><li>Document Recognition</li><li>Document Ownership Check</li></ul>	<ul style="list-style-type: none"><li>Face Recognition</li><li>Document Recognition</li><li>Document Ownership Check</li><li>Terrorists Data Base Check</li><li>Sanctions Lists Check</li><li>NonGrate Person Check</li></ul>	<ul style="list-style-type: none"><li>Face Recognition</li><li>Document Recognition</li><li>Document Ownership Check</li><li>Terrorists Data Base Check</li><li>Sanctions Lists Check</li><li>NonGrate Person Check</li><li>Media Reputation Check</li></ul>

Analyzing the current market value of verification, we believe that PassMe verification will be much cheaper. This became possible thanks to the use of modern tools in the field of neural solutions from Google and Amazon, which formed the basis. This solution allows you to build a verification system on self-learning systems, without spreading the development costs of what has already been done by such large companies. Such a foundation, in-house developments and redesigned logic, are fundamentally different from complex and, as a result, expensive solutions, which ensures a serious reduction in the cost of verification. Another factor in reducing the cost is direct access to databases for verification of documents. Even years later, KYC market leaders are forced to cover the cost of developing their resource due to the large number of high-end developers required to create and maintain the system.

As a result, the PassMe service offers a simple but effective system based on technologies proven by the huge resources of the largest companies in the world. This is precisely the key approach of the team - creating solutions with the maximum available resources without complicating the project architecture and its support. This approach not only reduces the time for developing the system, simplifies its support, but also significantly reduces the cost of the service, since its cost becomes much lower.

Such pricing of the verification service leads to significant savings for the company, and the freed up resources aimed at developing their product lead to a completely different result. Saving more than 350 thousand dollars when checking 100 thousand users, even for large companies, is a big amount. The ability to spend money not on verification, but on the development of your project is also valuable for PassMe, because the better a partner project develops, the more users it needs to verify. This is how we come to the conclusion that our task is to increase the chances of clients to attract the maximum number of users by automating their basic need.

## 2.3. ChainGates Bridge

A blockchain bridge allows you to transfer a crypto asset in the form of a token, cryptocurrency or NFT from one blockchain network to another. This embodies the name "Bridge" - a bridge between two unrelated networks. With fiat currency, individuals and businesses have many established modes of exchange that create a globally accessible and interoperable financial payment system. These systems include financial institutions, banks, and credit cards that process foreign exchange. A similar purpose in the world of blockchain is the cross-chain bridge (4) .

### 2.3.1. User points

Cryptocurrency exchange is a complex process. Let's imagine that a user wants to change token X, let's say, in the Alpha network - in the Omega network. In the current realities, the user goes to the exchange where this token is traded and is available in both networks for input and output, goes through KYC on the exchange, makes a deposit of the token, waits for it to be credited, makes a withdrawal and waits for the withdrawal to be processed for some time, moreover, in the process processing, the exchange may set a number of additional requirements, thereby delaying the exchange process. Now this user needs to change another token, but it turns out that this exchange does not have it, and he goes to another one, resubmits documents, again everything is in a circle. **Eventually:**



High fees for deposit and withdrawal;



Waiting time for KYC processing;



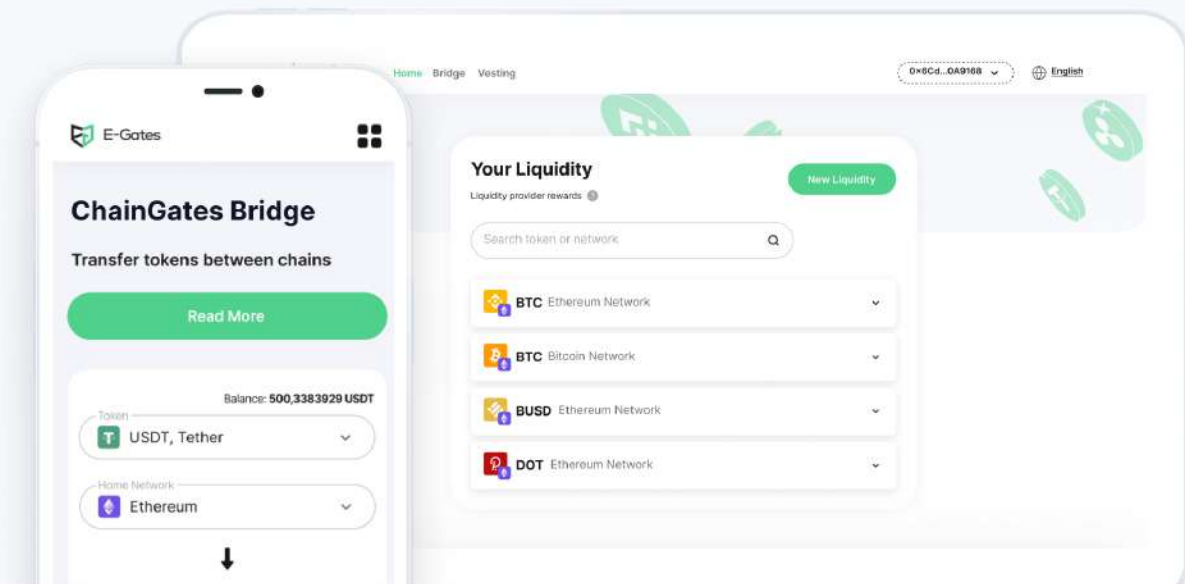
The processing time of the withdrawal itself by the exchange;



There is no stable verification system;



Transfer of their money under the control of a centralized system.



In fact, the user changes the token from one network to another, and this is where the bridge comes into play. An inter-network interaction system built on the principle of processing a transaction in one network with subsequent initialization in another. This allows you to save a lot of time and not worry about the speed of the operation or the amount of commissions that you will need to pay. Moreover, the number of project closures and bankruptcies in 2022-2023 is simply impressive, and therefore the level of distrust in exchanges and other centralized systems is growing among users, which allowed the decentralized finance system to form and gain a foothold in the market. A large number of such projects have been created around the world and have attracted a huge number of users, even formed a clear ideological group that sees the development of cryptocurrency and blockchain only in a decentralized direction.

### 2.3.2. Solution points

A blockchain bridge (bridge) is a protocol that is an independent technology that interacts with systems that have different programming languages and algorithms, and, as a result, has a huge number of potential vulnerabilities that can become a target for hacker attacks. One of the largest attacks occurred in February 2022, when cross-chain bridge platform Wormhole was the victim of an attack in which an attacker stole 120,000 wrapped Ethereum tokens, valued at about \$320 million at the time of the theft. The BNB network, also known

as Binance Smart Chain , was the victim of an attack in October 2022 that resulted in an estimated \$570 million in losses. Blockchain Bridge Analysis Provider Chainalysis estimated that 69% of crypto funds stolen in 2022 were due to attacks on bridges between blockchains . This is based on the fact that, in addition to basic protections at the code level, the bridge and dex systems do not have any points of control and regulation, which allows a hacker not only to steal money from the bridge, but also to go unnoticed.

### **2.3.3. Project points**

Bridge is one of the needs, because. an increase in the number of networks affects the number of potential users and it is very important to keep the balance of the total emission at the inter-network level. This means that if the number of tokens in one network has increased, then at the same moment in another network their number should decrease, this in fact regulates the coin supply and does not allow more tokens to be brought to the market than is determined by tokenomics . This is an important factor not only for the project, but also for the token community and investors who want to be sure that the project does not deceive them due to such a loophole. It also makes life easier for the ecosystem in which the token exists. For example, it is very important for exchanges to keep a balance of tokens and be able to replenish their reserves in the network that requires it. Of course, constantly pulling the creators of the project is unpleasant both for the exchange and for the project, because one project can have an average of 5 exchanges where they are placed, and the exchange can have hundreds of such projects. Of course, a reasonable token bridging system is required , but even in this case, the decentralization of bridges plays a bad role due to the potential threat of vulnerability of the project when placed on the bridge. Hacking the bridge disrupts the balance of the project's tokens on the market and reduces their value, and it is difficult to investigate such a crime, since the entire system is built on decentralization and anonymity. Scaling the project is also quite difficult, because the more tokens on the bridge, the worse communication with it becomes, and this not only jeopardizes processes, but also slows them down, which affects the administrative apparatus.



#### 2.3.4. Regulator points

Decentralized systems can be a threat not only to ordinary users, but to the entire industry, because the capitalization of the cryptocurrency market is growing every day, and we see how this affects the banking sector. This means that the problems of the crypto industry can threaten the banking system and vice versa. Every year, regulators pay more and more attention to cryptocurrency and take steps to secure it. The vulnerability and lack of control of decentralized systems makes them the first in line for control and building a system of punishments, including forced closure and the imposition of sanctions. This approach is justified, because decentralization in the blockchain world means direct management of funds during the execution of all operations, and not the absence of security and verification standards and regulations. This need is confirmed by a large number of hacks of such projects, due to the lack of a system capable of tracking the hacker. For the same reason, the bridge may be the center of money laundering, since today there is no system to counter these criminal activities.

We see that the market needs bridges and similar projects, but at the same time it has many risks.

#### Market demand for bridges:

- ✓ users to optimize costs and time;
- ✓ Users for the safety of their funds;
- ✓ projects to balance and comply with tokenomics ;
- ✓ exchanges for financial balancing of tokens.

#### Bridge Risks:

- ✗ no verification system and AML;
- ✗ high level of system vulnerability;
- ✗ the difficulty of administering tokens to their owners;
- ✗ the cost of the transaction may be inflated;
- ✗ dissatisfaction with the regulator due to the points above.



The demand of the market is comparable to the risks from the product and, of course, the prospects for such products fade as any global regulatory change takes effect or the need for such projects decreases , and the entire ecosystem becomes shaky and may lead to losses.






#### **2.3.4. Solution**

ChainGates system solves these problems, because in fact one innovation covers most of the disadvantages and retains the advantages of the system. The integration of the AllowLists system based on KYC solves 3 problems at once. The issue of verification and AML is removed, thereby making the project unattractive for hackers, and also becomes understandable for the regulator. Hackers will not take risks by submitting KYC, because it will allow law enforcement to notice it, users with “dirty” money will not go for such a bridge, because this is a threat for them to also get under the radar. This approach increases the security of the project, makes it more attractive not only for established projects, but also for ordinary businesses, because the risks of conducting a bridge transaction with coins are removed, which may subsequently be blocked by regulatory authorities.

This is not the only innovation from ChainGates - a liquidity management system built on pool tokens allows token holders to increase or decrease liquidity on the bridge themselves, as well as add and close networks without disturbing the bridge team. Such a management system makes the bridge truly decentralized, because the project can manage its own reserves without worrying that they will somehow be withdrawn by the token team, and increase the speed of administration to the maximum. Moreover, such a system makes it possible to form a distributed storage system in the token team by dividing pool tokens between project owners in appropriate shares, thereby securing the storage of their assets from internal conflicts or unscrupulous employees.

Another innovation in the project is that the bridge works on the Permit2 system, which allows not only to reduce the cost of transactions by reducing their number, but also to work according to a completely different logic in terms of allowing the use of tokens. Permit2 continues iteration of the token validation mechanism, introducing signature-based

validations and transfers for any ERC 20 token, regardless of EIP-2612 support. Permit2 also offers many exciting features that open up more secure token validation options and provide a more consistent user experience across any integrated application. **A complete list of features can be found in our documentation, in particular:**

-  **Permissions for any token.** Applications can have a single transaction flow by sending a signature along with transaction data for any token, including those that do not support a native resolution method. (5)
-  **Expiring confirmations.** Confirmations can be time-limited, which eliminates the security issues associated with stuck confirmations for the entire wallet token balance. Revocation of confirmations does not have to be a new transaction. (5)
-  **Signature-based translations.** Users can bypass setup restrictions entirely by issuing tokens to an authorized initiator using a one-time signature.
-  **Packet coordination and transmission.** Users can set up confirmations for multiple tokens or perform multiple transfers with a single transaction. (5)
-  **Batch revocation of permissions.** Remove surcharges for any number of tokens and initiators in a single transaction. (5)

A lot of user hacks have recently been carried out precisely due to the first version of the solution, when users gave permission for an infinite amount of tokens for an infinite time on the hype of the project, and after a while they simply took all the money from their wallet even without access to the wallet itself . By confirming with the signature of Permit2, this vulnerability is completely eliminated, because each transaction, even if there is an approve , cannot be performed without the signature of the wallet from which it is made - this makes the permission system secure and at the same time significantly reduces its cost.

**Summing up, we see that ChainGates not only meets the needs of the market, but also solves many problems of the industry:**

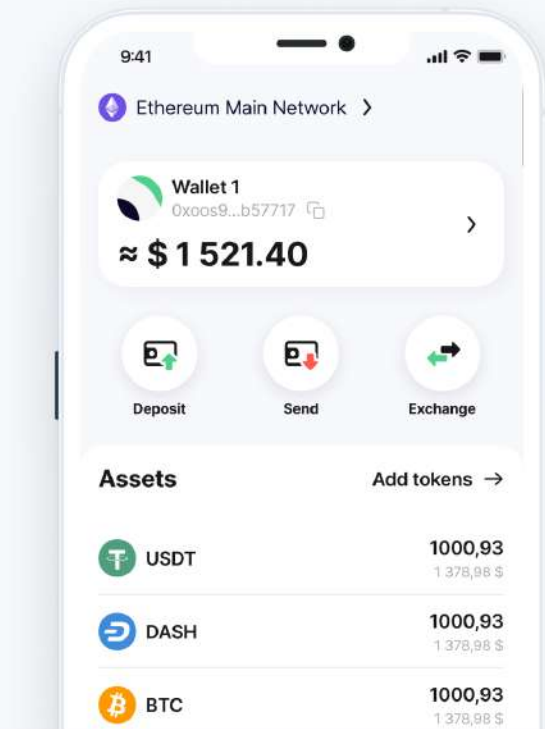
- ✓ contains the AllowList system for security control;
- ✓ performs KYC and AML validation by validating the address when added to AllowList;
- ✓ regulatory correct construction of verification processes due to AllowList;
- ✓ less vulnerable to hacking due to AllowList;
- ✓ has a liquidity management system to optimize the work of project owners;
- ✓ secure storage of tokens by project owners through the liquidity management system and AllowList;
- ✓ control of plagiarism and fake projects due to the correct procedure for listing tokens for the bridge;
- ✓ works on the basis of the Permit2 system to reduce risks in dealing with transactions and reduce their cost;
- ✓ KYC verification works at the expense of E-Gates, which allows you to go through this process only once.

## 2.4. E-Gates Wallet

A cryptocurrency wallet is a tool for interacting with cryptocurrencies on the blockchain . With it, you can create or manage addresses for storing and transferring digital assets. In essence, it is an application with an interface and various functions for managing an address with crypto assets stored in it. There are two types of wallets - custodial and non-custodial. A custodial wallet is an application for storing and transferring cryptocurrencies, the peculiarity of which is that its operator (custodian) manages users' addresses or has access to their private keys. In addition, custodian clients must undergo a KYC identity verification process. A non-custodial cryptocurrency wallet retains the creator of the address in

full control of their funds, since it does not transfer their private keys to anyone. Such an application cannot freeze or manage user funds, but it is not responsible for their safety.

As it became clear from the many cases described in other sections, the security of storing cryptocurrency in the blockchain world is a key aspect that should not be neglected. The FTX case showed that it is 100% impossible to trust the storage of cryptocurrency exchanges and centralized projects in



general, since such projects carry the risk of bankruptcy or even unreasonable closure. At the same time, the funds in such projects are not protected by deposit guarantee funds according to the banking system principles, which in the end can lead to a complete loss of money. That is why it is so important to be able to store assets in cold wallets or in non-custodial wallets. This principle of storing cryptocurrency allows you to really be the owner of your cryptocurrency, avoiding the risk of a collapse of the project. The non-custodial type of storage implies that the storage resource is only a management shell and, even if the project is closed, having a private key or seed phrase, you can access your assets. The importance of such solutions in the market cannot be overestimated, because in fact it is the safety of your assets and healthy sleep at night. ChainGates solution Wallet allows you to store many assets of different networks in one wallet, while having full access to your assets without outside influence on your assets of the project owners. However, the quality of the solution plays a big role in such projects, as does the breadth of the spectrum of use. That is why, in addition to Bridge, the ChainGates project created its Wallet solution of a non-custodial type, as an addition to the overall infrastructure with maximum compatibility with its decentralized products and part of the overall ecosystem.

## 2.5. Gates Ecosystem token

The token is inherently a separate tool integrated into the platform that allows you to use services more efficiently, taking into account the success of the project and market dynamics. Tokenomics is shaped based on the needs and capabilities of the project as a whole by the E-Gates project , which allows you to create a unique brand-independent tool with limitless possibilities in terms of use. The logic of the token embodies its integration as a service tool with various types of services.

**GET (Gates Ecosystem Token)** is a solution that goes beyond the design token and allows it to be integrated into any infrastructure solution. For example, in addition to using it in the ChainGates product system , the token is integrated into the E-Gates ecosystem as a marketing tool to attract the community, and its service function is also used. The possibilities of using the token are endless, however, consider the basic areas of application of the token:



acts as a payment instrument within the E-Gates ecosystem and provides an opportunity to be used to purchase basic and unique services;



payment of Bridge ChainGates commission at a tangible discount;



integration into future ChainGates products, such as Vesting System, Locker System with the ability to pay for services;



various discounts from E-Gates when purchasing services;



access to the unique features of the ChainGates platform;



the opportunity to become part of a large community;



the opportunity to participate in E-Gates draws;



strong marketing tool for partners;



PassMe services at a significant discount.

These and many other options are available to token holders, which allows them to get the required range of services and use it to the maximum. Project tokenization is a well-established concept, but ChainGates built the unified element as a personal service token.

### 3. Project Improvement Stages







The world is developing every day and progress does not stand still. There are new interesting technologies that can optimize the work of many companies or offer better conditions for existing solutions. Competition and the difficulty of entering the market for start-up projects may not allow themselves to show themselves. Even the most interesting and necessary solution can remain misunderstood and underestimated. And a project with an ordinary solution, but with great experience in marketing - “shoot”.

That is why E-Gates is so important, because the system, which has already been connected by many companies, allows you to offer services to your customer base with a much higher conversion rate due to the quality of the services provided and a single point of integration. The vector of development of E-Gates-infrastructure is aimed at expanding the range of services and technologies for its customers, increasing the partner base, as well as improving the quality of services provided.

### 3.1. Ecosystem

The development of the project ecosystem is aimed at obtaining licenses and certifications in various jurisdictions, expanding the partner market with the further possibility of simplifying the process of entering new markets and regions.

**It includes:**

-  PCI DSS certification as a way to a new level in terms of the payment system;
-  obtaining an EMI license;
-  launch of the Marketplace of goods and services;
-  certification and licensing in Latin America and the Middle East;
-  partnerships in services and real estate;
-  formation of own digital banking ecosystem.

The most important factor in the success of the E- gates ecosystem is the fact that the project is an aggregator platform for financial products at the intersection of web 2.0 and web 3.0 technologies. This means that absolutely any quality product in this industry can become part of the E- gates ecosystem and take full advantage of it.

### 3.2. Roadmap





## Conclusion

The complexity and dynamics of the market requires solutions that will allow developing, scaling and optimizing processes that are in limbo in the current realities of the world. Stability and resilience in the blockchain world has come to mean much more than hype. The need for projects in business-optimizing solutions is increasing and there is an urgent need for a single infrastructure solution that allows accelerating integration processes without the need to increase the administrative apparatus of the company. E-Gates is a fintech solution with the ability to accumulate and integrate products into its ecosystem, allowing you to create a single payment and integration entry point. By partnering with start-up projects like PassMe and ChainGates , the E-Gates project has created an ecosystem in which it acts as a seller of services and, using its payment module, simplifies integration processes. This structure allows you to save project resources for integration by optimizing the payment system and creating a single point of communication.

E-Gates is an aggregator of decentralized and centralized solutions to speed up and simplify entry into the digital asset market for companies and users. A single ecosystem of fintech products works for business growth and efficiency. We have created and successfully integrated with API a wide range of financial solutions that allow you to take full advantage of the centralized and decentralized systems.

Acting as a project accelerator, E-Gates creates conditions for the development of the technological base and product solutions that the market needs, but at the same time, the independent development of which in the current conditions is doubtful. Due to the correct distribution of responsibilities, projects can focus directly on development, and delegate the development and sales of services to professionals.

Our main goal is to make it easier for companies and users to enter the blockchain technology market.

Our most important task is to create a universal Digital Bank that will unite the progressive world community around useful and convenient fintech products.

## E-gates - fintech solution provider

### Risk Disclosure Statement

You should carefully consider and evaluate each of the following risk factors before using or relying on any information provided in this Whitepaper or Communications or obtaining, holding, using, or disposing of the Token. All risks and risk factors outlined in this Risk Disclosure Statement shall be assumed, taken and accepted by you without any limitations or conditions.

#### Risk of Loss

Do not purchase, hold or use the Tokens unless you are prepared to lose the entire amount of funds and/or assets that you use in the respective transaction. Furthermore, Tokens should not be acquired for speculative or investment purposes with the expectation of making a profit or immediate resale. The value and/or price of the Tokens and other virtual assets may change dramatically, and may substantially drop in a short time. No promises of future performance or value are or will be made with respect to the Tokens, including no promise of continuing payments, no promise of inherent value and no guarantee that Tokens will hold any particular value.

#### Risk of Insufficient Interest in the Project

It is possible that the Project, including the Token, will not be used by a significant number of people, companies, and other entities, or that there will be limited public interest in the Project and related products. Such a lack of use or interest could negatively impact the development of the Project and the potential utility of the Tokens, including their utility and potential uses within the Project.

## Legal Uncertainty

The Company is in the process of undertaking a legal and regulatory analysis of the Project and functionality of the Token. Following the conclusion of this analysis, the Company may decide to amend the intended Project elements, including the functionality of the Token, in order to ensure compliance with any legal or regulatory requirements which it is subject to. In the event that the Company decides to amend the intended Project features, including functionality of the Tokens, the Company will be under no obligation to give any notice to you or otherwise update the relevant contents of this Whitepaper.

The Project, including the Tokens, could be impacted by regulatory action or introduction of new laws and regulations, including potential restrictions on the use, access, ownership, or possession. Regulators or other circumstances may demand the mechanics and characteristics of the Project, including the Tokens, to be altered, either in whole or in part. The Company may revise the Project, including the Tokens, features, functionality, and mechanics to comply with regulatory requirements or other governmental or business obligations, or for other purposes.

Our intended activities may be subject to various laws and regulations in the jurisdiction or jurisdictions where we operate or intend to operate. We might be obliged to obtain different licences or other permissive documents in each jurisdiction where we intend to operate our business, therefore, our business in such jurisdictions shall always be subject to obtaining such licences or permissive documents, if so directed by applicable laws. There is a risk that certain activities may be deemed a violation of any such law or regulation. Penalties for any such potential violation would be unknown. Additionally, changes in applicable laws or regulations or evolving interpretations of existing law could, in certain circumstances, result in increased compliance costs or capital expenditures, which could affect the Project, the Company's ability to carry on the business model, and the Token model proposed in this Whitepaper.

## Taxation Risks

The tax status of the Tokens is uncertain and highly depends on the laws and regulations of the respective jurisdiction where the parties of a particular transaction are deemed tax residents. You must seek your own tax advice in connection with transactions involving the Tokens or any transactions contemplated herein, which may result in adverse tax consequences to you, including withholding taxes, income taxes and tax reporting requirements.

## Risk of Theft

The Company intends to make commercially reasonable efforts to ensure that all of the assets involved with the Project are properly protected and remain safe. Nevertheless, there is no assurance that there will be no theft of the virtual assets or other assets as a result of hacker attacks, sophisticated cyber-attacks, phishing attacks, other third-party interruptions, distributed denials of service or errors, vulnerabilities or defects in software or smart contract(s) used in connection with the Project, underlying blockchain networks, third-party scams or fraud, or otherwise. Such events may include, for example, flaws in programming or source code leading to exploitation or abuse thereof. Such events may result in partial or complete loss of the assets controlled or owned by the Company, or assets related to the Project, which may lead to the Tokens significantly dropping in price or losing their value at all, and/or closure of our business.

## Technological Risks

An open-source development comes with risks related to hacking and cyber-attacks that can cause a negative impact. To mitigate those risks, the Company and its affiliates are allocating reasonable resources to perform security checks and technical audits to ensure the safety of the Project. Also blockchain development is a relatively new technology and there will be a challenge requiring human resources with this specific knowledge. Nevertheless, there is no guarantee that the Project will be secure, error-free, reliable, available at any time, work as expected, or fit for a particular purpose. Malfunctions or errors in the Project underlying technology may have a material adverse effect on the Company and its business.

Moreover, advances in cryptography, or technical advances such as the development of quantum computing, etc., could present risks to the Token and related blockchain software by rendering ineffective the cryptographic consensus mechanism that underpins the blockchains. The smart-contract concept, the underlying software application and blockchains are still in an early development stage and unproven. Although it is unlikely, a blockchain can be attacked which may result in downtime, consensus split, long reorganisation of the chain, 51% attack or other adverse outcomes each of which may lead to complete loss of the Tokens.

The underlying logic of the software, blockchain networks, as well as smart-contracts may be flawed, defective, or impaired, which can result in the software operating incorrectly or not as expected, or transactions being executed in violation of logic which underpins such software, which can lead to partial or complete loss of the Tokens or other adverse outcomes. The Tokens normally rely on various open-source software, which is autonomous or operated by third parties, which means that: (i) certain operation and functionality features of the Tokens and their underlying networks may be outside of the our control; and (ii) such software protocols may be subject to sudden, unexpected, controversial or other changes (forks), that might have a significant impact on the availability, usability, or value of the Tokens.

## **Risks Associated with the Development and Maintenance of the Project**

The Project is still under development and may undergo significant changes over time. Although the Company intends for the Project to follow the specifications set forth in this Whitepaper, and intends to take commercially reasonable steps toward those ends, certain changes, including material ones, might be made to the specifications of the Project for any number of legitimate reasons. This could create the risk that the Project, as further developed and maintained, may not meet your expectations, or not be in line with this Whitepaper. The Company, as well as its affiliates, shall always reserve the right to pivot the Project (as well as any part of the Project) and to make changes to the business model as they see fit. Furthermore, despite our good faith efforts to develop and maintain the Project, it is still possible that the Project will experience malfunctions, unplanned interruptions in its network or services, hardware or software defects, security breaches or otherwise fail to be adequately developed or maintained, which may negatively affect the Project and the potential utility of the Tokens.

### **Risk of Project Failure**

There is no guarantee that the Project or Token will gain sufficient market adoption or support. There is also no guarantee that the Project will be successful at any time in the future.

## Unanticipated Risks Arising from the Tokens

Cryptographic blockchain tokens such as the Token constitute a relatively new and dynamic technology. In addition to the risks included in the above, there are other risks associated with the purchase, holding and use of the Tokens, including those that the Company and you cannot anticipate. Furthermore, the Token will unlikely have any uses outside the Project and the Company will not support or otherwise facilitate any secondary trading or external valuation of the Token.

There is no guarantee that there is or will be an active market to buy or sell the Tokens. There is no assurance with respect to the price of the Tokens and the degree of liquidity regarding the Tokens. There may be no liquidity or market for the Tokens at all and it is possible that the Tokens will become useless or abandoned.

## Risk of Alternative, Unofficial Projects

Following the release of the Project and the continued development of the initial version thereof, it is possible that alternative projects could be released by third parties using the same open source code and protocol underlying the Project and/or elements of its business model. The official Project may compete with these alternative projects, which could potentially negatively impact the Company and Project, including the value of the Token.

## Unanticipated Risks

In addition to the risks set forth herein, there are risks that we cannot anticipate. Further risks may materialise as unanticipated combinations or variations of the discussed risks or the emergence of new risks.



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