

DFlow – Decentralized Flow of Crypto Finance

January 27, 2019

Executive Summary

Why this exchange? DFlow was developed under the belief that crypto exchanges must adopt best practices in not only technology and security, but also fairness and support to projects and users alike. The majority of the countless newly-launched exchanges claim to have innovated from the models before them, but they all overlook critical issues in current day crypto exchanges. DFlow aims to address some of the on-going issues in the current cryptocurrency exchange market.

	Listing Fees	Project Listing Procedure	Digital Asset Custody
Issues	Exploitative listing fees and procedure	Inadequate due diligence for listing	Counterparty risk
Solution	Sensible listing platform for promising projects	Thorough screening process utilizing partnerships	Decentralized Custodian Service

What does the DFlow Token (DFL) provide? Transaction fees generated from trading activities may be reimbursed back to the traders with the platform's native token (DFL). Holders of the token may be able to receive daily dividends based on the exchange's daily transaction fee revenue.

- Up to 100% of fees generated from transaction volumes are reimbursed back to users with DFL
- Up to 80% of revenue sharing
- Primary access to IEOs and entry to future promotional events

I. TEAM BACKGROUND

1) Core Team

DFlow is founded by a combination of professionals from both the blockchain and traditional industry space. The core management team brings to the table a seasoned background of investment, algorithmic trading, M&A, and research from international conglomerates. Our tech team also consists of highly experienced developers at international gaming companies, search engines, and cryptocurrency exchanges. In addition, our tech team has been advising notable cryptocurrency exchanges on their underlying technology for several years.

2) Incubator

Blockwater Capital is a digital asset fund based in Seoul, investing on the thesis that distributed ledger technology will create disruption across various existing industries. Blockwater Capital has invested in over 35 projects throughout 2018. Blockwater's wide network reach should give DFlow a fundamental advantage over other exchanges. In addition to Blockwater, DFlow plans to work with other global funds to bring additional value to its users.

Specifics of incubation include, but are not limited to:

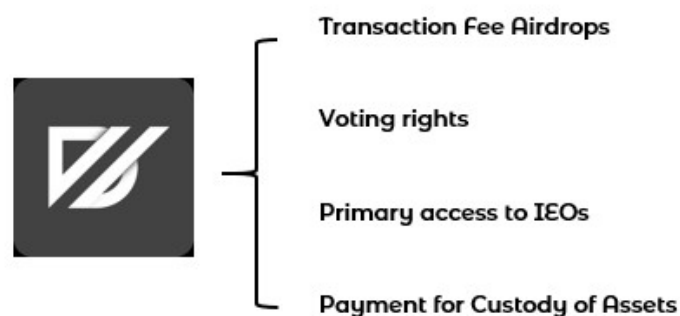
- Partnerships with other Korean and Global Exchanges
- Advise on New Token Listings (i.e. IEO)
- Token economics
- Optimized implementation of Milestone projects

II. DFLOW (DFL) TOKEN

1) Introduction

The DFlow (DFL) token is a digital asset that enhances all aspects of user experience at the DFlow exchange. It not only enables revenue sharing functions but is also designed to bring additional utility such as exclusive benefits to IEOs, voting rights, payment for asset custodianship, and access to the staking pool. DFLs can be acquired from the secondary markets or by transaction mining.

2) DFL Benefits



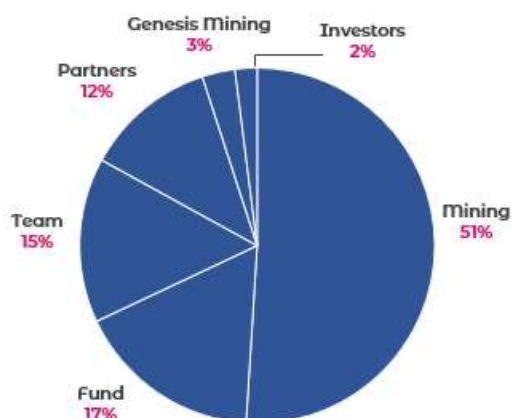
3) DFLs can be acquired in three ways:

A. Genesis Mining: DFLs can be mined at the official launch of DFlow, and access will be given to only those who have pre-registered on DFlow.

B. Transaction Mining: Trading on DFlow's platform will earn DFLs equivalent to the transaction fees paid. The base transaction fee is 0.1%

C. Secondary Markets: Once official mining commences, users will be able to purchase the released DFLs from secondary markets. DFlow is planning to cross list platform tokens with other prominent exchanges.

4) Token Distribution



* The tokens vested from Partners, Team, and Ecosystem Fund will be locked up and will not be traded on the open market. These tokens are still eligible for revenue sharing.

III. PHASES OF MINING

DFL tokens are facilitators to the crypto-economy of DFlow. By reimbursing users' transaction fees they generate in the process of trading cryptocurrencies, users are able to trade virtually free of any transaction-fees on DFlow as well as obtain the benefits of a DFL token.

1. Genesis Mining

To express our gratitude to early supporters of DFlow, DFlow will provide an opportunity to mine DFLs at a fixed price before its official launch.

The exact Genesis Mining details are to be released prior to the launch. You can pre-register at our website <https://dflowx.com/>

2. Open Phase

At first, DFlow reimburses 100% of the trading fees generated by users in the form of DFL tokens. For example, if User A generates \$50 of trading fees, User A will receive \$50 worth of DFL tokens.

$$\# \text{ of Mined Tokens} = \text{Total Transaction Fees Paid by User} / \text{DFL Price}$$

3. Stabilization Phase

Once circulating supply reach an optimal number to power our platform, the mining mechanism may be reevaluated.

- For instance, we may restrict the number of DFL tokens released per day to protect the price of the token.

- Periodic buyback events may be held to control circulating supply at optimal levels.

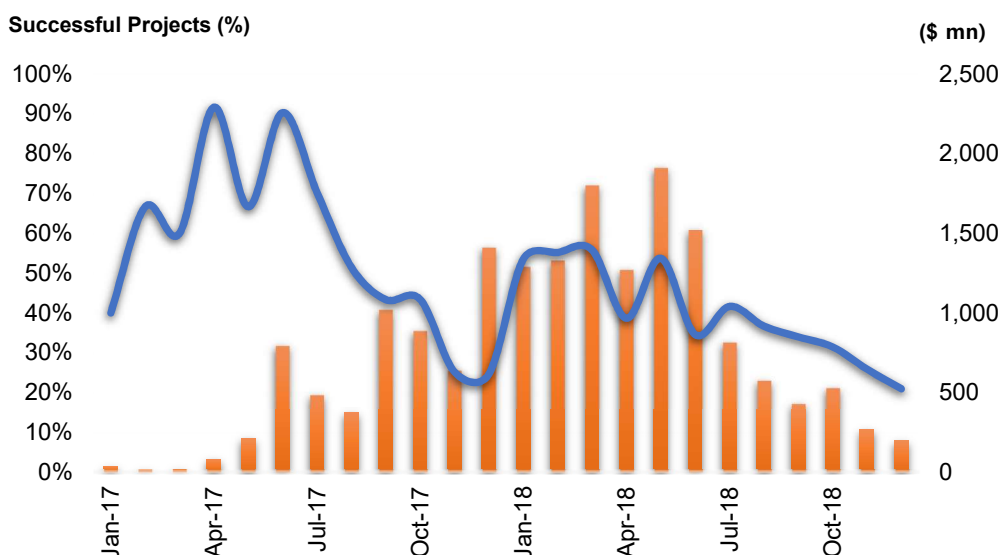
IV. SPECIAL FEATURES

With the industry in a persistent bear market, the conventional “private sale → public sale → exchange listing” formula is becoming more difficult to execute for many start-ups, even for teams and projects that may be properly equipped to take their ideas to the next level. We recognize that many preexisting exchanges focus on generating profits through high trading volumes and thus feel the need to list well-known projects over infant projects. On the contrary, we believe that with a more rational and impartial criteria to discern valuable projects, DFlow can make a more equitable ecosystem for both our customers and our projects. DFlow aims to address some of the common issues in the current cryptocurrency exchange market including the aforementioned listing process.

	Listing Fees	Project Listing Procedure	Digital Asset Custody
Issues	Exploitative listing fees and procedure	Inadequate due diligence for listing	Counterparty risk
Solution	Sensible listing platform for promising projects	Thorough screening process utilizing partnerships	Decentralized Custodian Service

Problem #1: Exchanges exploit blockchain projects for listing

Dominating 25-30% of total market share, the top 10 most traded exchanges have great leverage over choosing which projects succeed and thrive. As the vast majority of digital assets issued currently are utility tokens, prospective customers need multiple mediums to acquire and sell the these tokens. Exchanges are an important middleman in this process and therefore listing on a widely used exchange is a critical criterion for most projects. Unfortunately, we believe major exchanges exploit this fact by charging hefty fees for listing that are out of reach for many projects that have the potential to contribute to the growth of the industry. We feel that this consequently hinders the growth of the blockchain industry as a whole, and goes against the main tenets of decentralization.



According to Coinmarketcap[1], there are now more than 200 cryptocurrency exchanges dealing with as much as \$1-2bn per day in transactions, generating ~\$3mn in daily commissions. However, despite the massive growth of exchanges over the past two years, industry statistics indicate that 70% of ICO tokens are unlikely to be listed on any exchange. According to ICO Ratings[2], during 2018 (for data available up to 3Q18), only 48% (875 projects out of 1,836 projects staged) were able to raise more than USD\$100,000 (with an aggregate raise of USD\$10.9bn).

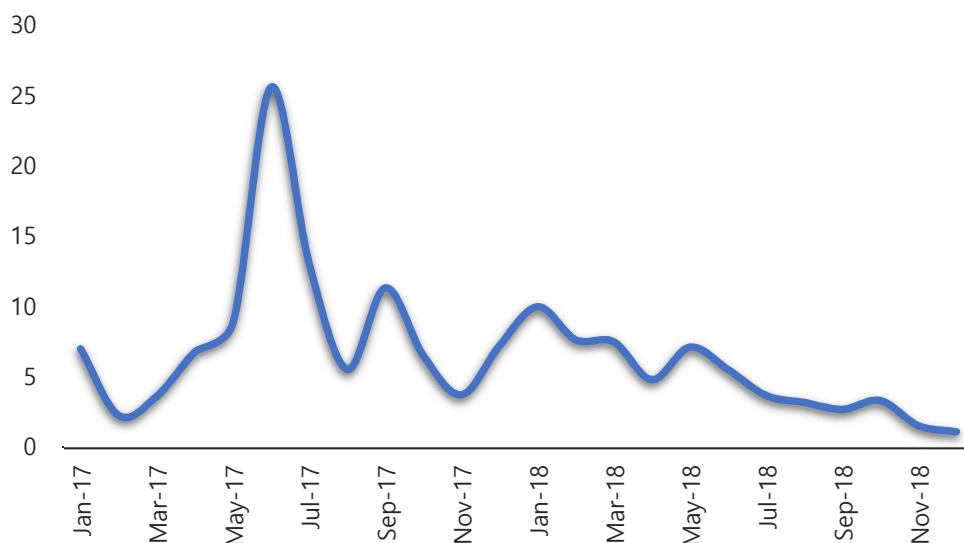
However, amongst these projects, only 20% (174 projects) have been successful in getting listed on any secondary exchange. This serves as a testament to the power exchanges wield and how the current listing process can be exploited by the exchange for profit maximization.

	Staged	Raised More than \$100K	Listed on Exchange	Successfully Listed (%)
1Q18	412	204	89	44%
2Q18	827	417	61	15%
3Q18	597	254	24	9%
4Q18	N/A	N/A	N/A	N/A

DFlow's Solution #1: Transparent Listing & IEO Platform

DFlow, in cooperation with Blockwater Capital and other global funds, can help identify certain blockchain projects with real ideas and talent to list on the DFlow exchange. The listing process itself will be very selective and will gradually implement a voting mechanism (using DFLs) to reflect the community's opinion on the short listed candidates. In addition, DFlow will introduce a selection of projects to invest via IEOs (Initial Exchange Offering). The initial idea of IEOs was for the exchange to guarantee a minimum quality of the projects with an ongoing fundraiser, which would be a potentially strong alternative to ICOs where each investor must do research on numerous projects prior to investing. As of 3Q18, we note projects have only generated USD\$1-3mn in private/public funding which we suspect is only sufficient for 1-2 years of runway as operational costs. However, in a desperate attempt to generate cash, certain exchanges have not been doing their part in due diligence and have been conducting IEOs for unready projects for a hefty commission or fee which some projects are unable to afford. DFlow does not plan to compromise, and will only offer IEOs for projects that have proven itself throughout the due diligence process of both DFlow and its partners, including Blockwater Capital. Going forward, DFlow will work closely with its partners to release proprietary research which we discuss later.

Avg Raised Per Project (\$ mn)

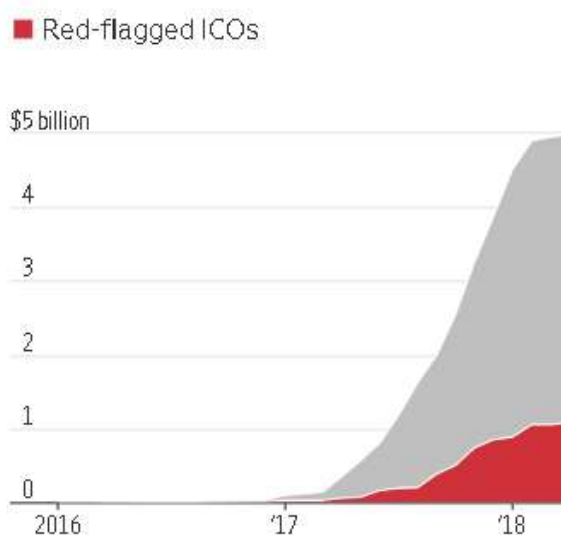


Problem #2: Lack of Proper Due Diligence in Listed Projects

Listing digital assets after proper due diligence benefits the exchange and its users in two main ways: 1) protects users by limiting exposure to illegitimate projects, and 2) lowers costs to the exchange from reimbursing users as fraudulent activities are brought to light. However, due to limited manpower capacity to conduct thorough research across numerous candidates, most crypto-exchanges fail in this regard. This issue is further exacerbated as investors automatically assume the project has been properly vetted by the exchange without conducting their own research. We suspect this is one of the key reasons for the “over-valuations” in the industry that persisted during the 2017-2018 boom and bust cycle with many investors chasing well-marketed “popular” coins.

According to WSJ (May 17th 2018)[3], more than USD\$1bn were invested into 271 coin offerings of which the company identified blatant red flags after series of company statement reviews, resulting in series of lawsuits from investors and regulatory actions from government bodies. Of the near ~1,500 white papers analyzed, WSJ found over 100 papers that copied sections of other white papers verbatim. As of Jan 2019, it is worthwhile a cryptocurrency that has been embroiled in a plagiarizing scandal remains ranked in the top 10 by market capitalization on Coinmarketcap. This project continues to trade on 90% of the top 10 global exchanges by market volume and still generates USD\$180mn in daily trading volume. Said in another way, we estimate the digital asset generates close to USD\$150mn in annual commissions for these exchanges and remains a cash cow for exchanges looking purely for profit.

Total funds reportedly raised in WSJ-reviewed initial coin offerings



Note: Funding details not available for all ICOs.
Source: WSJ analysis of public statements from cryptocurrency startups and blockchain records

This has led to the unfortunate chain reaction of 2nd and 3rd tier exchanges listing such tokens for the sake of profit maximization in the short-term, creating a cycle of non-due diligence across exchanges and investors. These shortcuts have led to unfortunate precedents of exchanges de-listing digital assets which failed to show progress or maintain public communication, resulting in a sharp drop in asset value and losses to exchange users. In the worst case, we have seen exchanges undergo costly reimbursements to its users to compensate for the lack of oversight.

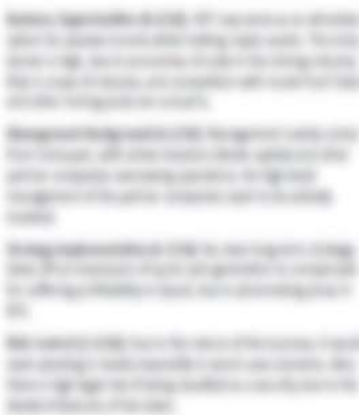
DFlow's Solution #2: Sharing the results of due diligence and providing on-platform education

We want our exchange to be a platform to help facilitate a more responsible investing environment. While we recognize the exchange is purely a for-profit entity serving as a medium between issuers and investors, we want DFlow to be a more investor friendly exchange, not only from a UI/UX perspective, but also from an investment standpoint. The new bear market of 2018 has created a paradigm shift where trends in ICOs through public sales have begun to wane, only to be replaced by more allocations moving towards private sales, working with blockchain dedicated funds and institutions.

Today (2018-end and early 2019), with the markets reeling from a persistent down-cycle, DFlow is now witnessing another shift in fundraising with more projects accessing the IEO market working hand in hand with exchanges rendering exchanges more as a front gatekeeper – a vehicle to introduce noteworthy start-ups to the general public. This is a sharp contrast with its previous role as the rear gatekeeper, i.e., the last tick on the box when the market (private and public) have had months to assess the viability of the project. Given this backdrop, we believe it has become more important for exchanges to share information and conduct proper assessments for the projects it plans to list or organize an IEO on the exchange.

HASH RATE TOKEN

Quick Overview: Hash Rate Token is most comparable to Huobi Pool Token, an asset that tokenizes the mining power of Huobi Pool. Hash Rate Token tokenizes 900 PT proprietary computing power of Dpool. The project is a collaboration between Coinsuper (top-20 exchange), Dpool (8th largest mining pool), and Bitfily (mining equipment manufacturer).



Company Description: HRT is issued by dpool as a computing power-based token in a total supply of 400 million, representing 900 thousand T proprietary computing power of the mining pool. A holder's HRT reflects the corresponding amount of Dpool's hash rate.

HRT is hosted by Coinsuper, a top-20 exchange based in HK. Dpool, the world's 9th largest mining pool, and Bitfily, a manufacturer of mining equipment are partners. This effectively covers the whole stream of mining & distribution.

DFlow will work closely with global funds in providing project specific research on key listings and Initial Exchange Offerings (IEO)s. Blockwater Capital is a blockchain dedicated fund that has reviewed over 400 projects across diverse industries and have invested in over 50 unique projects since 2018. We at DFlow note that many project specific research reports have focused solely on the white paper which may not provide the necessary depth and insight investors would prefer. In this context, funds may be able to additionally provide through the firm's investment process involving both qualitative and quantitative metrics via

individual meetings with the project firms. While such highlighted projects are still not immune to failure despite these measures, we think it could assist in adding another layer of trust, protection, and information to exchange users in making their investment decisions.

Problem #3: Customer's assets are exposed to huge counterparty risks

With the exemption of a few major exchanges, most crypto exchanges only implement minimum security measures due to high costs and technical difficulties. Thus, crypto-traders are nearly always exposed to high counterparty risk, that is, breaching or hacking of the exchange itself, or a downright scam.

DFlow's Solution #3: Decentralized Custody Service

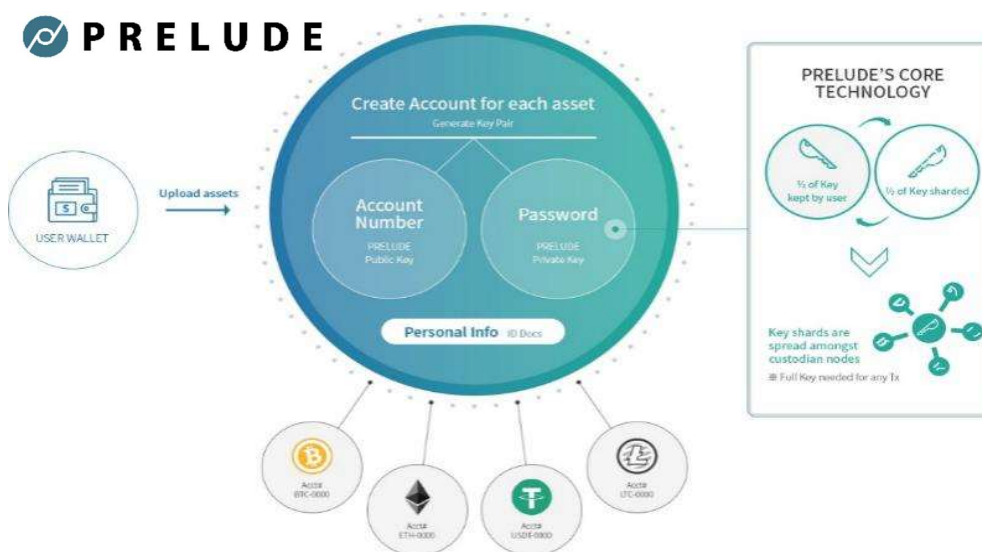
Major players like Fidelity, Bitgo, Coinbase are offering custody for crypto assets. While considerably safer than most hot wallets on exchanges, the counterparty risk is not totally eliminated, and deposit/withdrawal procedures can be complicated or even delayed.

This is why DFlow intends to implement a decentralized custodian network to the DFlow exchange. A network of decentralized custodians offers speedy deposits and withdrawals, as well as fool-proof custody of assets. As the private key is sharded and distributed throughout the network, no single point of failure exists.

The Decentralized Custody service is made possible through Prelude. Prelude is an inter-operable blockchain where users can upload digital assets from any blockchain. A combination of sharding and mapping is used to generate zero knowledge cryptographic decentralized Private Key management among Prelude nodes.

While the plan is to custody all users' assets in a decentralized network, users with an asset size that exceeds a predefined threshold must pay a small management fee in DFL.

Find more about Prelude on <http://www.prelude.network/index.asp>



V. Platform UI and Security

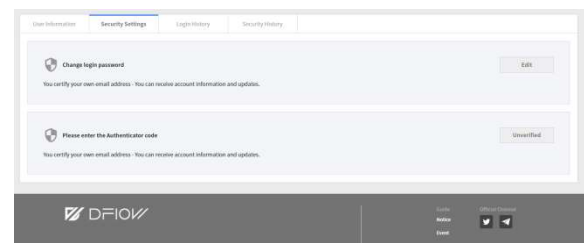
1. DFlow's Matching Engine & UI/UX

- The DFlow's matching engine is optimized for scalability and high frequency trading and can accommodate a million users concurrently. We have stress tested our engine where even in the event of concurrent users exceeding a million, the exchange remains fully functional without intermittent outages. While many exchanges need to choose between cost and performance, the design of our exchange is so that no one area serves as a bottleneck in another area as all parts can be scaled separately.
- The DFLOW exchange will provide a powerful and convenient interface giving users – both new and professional – the necessary tools to make independent trading decisions.
- Traders will be able to monitor key pricing data easily across various customizable modules. Overtime, we will be making further enhancements to the user experience, including a section dedicated to specific coin information with access to research content as outlined in the previous page.

2. Security Features

We employ basic security features for our users including

- 2 Factor Authentication
- Slider Captcha (Human Interaction Proof)
- Security/login history view.



In addition, DFlow uses Cloudflare Firewall to protect itself against XSS and DDoS attacks and irregularities on the platform are monitored 24/7.

DFlow

Funds

Logout

Account

Assets

Total Asset in

0.00000000 BTC ~\$0.00

Current Withdrawal Limit : 1 BTC/Day

Withdrawal Limit Upgrade Request

Balance	Transaction	Address	
Coin Name	Possession	Available	Reserved
Asset(BTC)	<input type="checkbox"/> Hide B balances		
<div><div></div><div>BTC</div><div>BTC</div></div>	0.00000000	0.00000000	0.00000000
0.00000000	\$0.00	Deposit	Withdraw
<div><div></div><div>ETH</div><div>ETH</div></div>	0.00000000	0.00000000	0.00000000
0.00000000	\$0.00	Deposit	Withdraw
<div><div></div><div>USDT</div><div>USDT</div></div>	0.00000000	0.00000000	0.00000000
0.00000000	\$0.00	Deposit	Withdraw

Wallet Storage: DFLOW will initially utilize a combination of cold, warm, and hot wallets.

Overtime, we plan to implement PRELUDE's decentralized custody service in order to best protect our users' assets as discussed earlier.



VI. LICENSE

DFlow respects the laws and regulations of different jurisdictions. DFlow is a registered exchange with two licenses issued by the state of Estonia.

The two licenses respectively give us the right to:

- 1) Provide a virtual currency wallet service, and
- 2) Providing services of exchanging a virtual currency against a fiat currency

This implies that unlike most small-scale cryptocurrencies, there is no legal risk in attaching fiat to our exchange. We plan to roll out different fiat currencies, as soon as all relevant legal risk is properly reviewed.

Start of validity	Date of expiry	Valid	Area of activity	Additional information
04.12.2018	Termless	Yes	Providing services of exchanging a virtual currency against a fiat currency	
04.12.2018	Termless	Yes	Providing a virtual currency wallet service	

VII. ROADMAP

Feb 2019: Official DFlow Launch

Feb 2019: Hash Rate Token IEO

Q1 2019: White-labelling services

Q2 2019: POS/DPOS Staking Pool starts

Q3 2019: Decentralized Custodian Implementation

VIII. DISCLAIMER

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Reference

[1]<https://coinmarketcap.com/rankings/exchanges/reported/>

[2]<https://icorating.com/reports/quarterly/>

[3]<https://www.wsj.com/articles/buyer-beware-hundreds-of-bitcoin-wannabes-show-hallmarks-of-fraud-1526573115>