



# White Paper (Version 2)

Zeus Exchange bridges financial and crypto markets



Zeus Exchange is conducting research into regulatory regimes which may be applicable to its operations and for this purpose, sets out a detailed description of the structure, business and operations of Zeus Exchange in this white paper. Note, however, that this white paper is preliminary in nature and its content may therefore change from time to time.

# Table of contents

- Legal disclaimer **3**
- Crypto Background **4**
- Our vision **8**
- Problem **10**
- Solution **11**
- Value proposition **12**
- Target audience **13**
- Zeus Exchange **14**
  - How it works **14**
  - Open account and deposit assets **15**
  - Explaining the trading workflow of Zeus Exchange **17**
- Zeus Exchange functionality **19**
- Zeus Depository **21**
  - Asset tokenization **22**
  - Explaining the workflow of Zeus Depository **23**
- Zeus Depository functionality **24**
- Technology protocols **25**
- Regulatory Regime **26**
- Security **27**
- Market entry strategy **28**
  - Phase 1. Alpha Zeus Exchange and Alpha Zeus Depository. 2018 **28**
  - Phase 2. Beta Zeus Exchange and Beta Depository. 2019 **29**
  - Phase 3. Zeus Exchange and Zeus Depository 2019-2020 **30**
  - Phase 4. Broader market adoption 2020-2025 **31**
- Business model **32**
- Founding Team **33**
- Advisors **35**
- Partners **36**
- Governance **37**
- Contacts **38**



# Legal disclaimer

This white paper is for informational purposes only and does not constitute an offer or solicitation to sell securities or other investments. It may contain forward-looking statements, subject to risks and uncertainties that could cause actual results to differ materially. Zeus Exchange does not guarantee the accuracy of statements made in (or in connection with) this white paper or the conclusions reached herein, and expressly disclaims any and all liability for any direct or consequential loss or damage of any kind whatsoever arising directly or indirectly from: (i) reliance on any statement contained in this white paper, (ii) any error, omission or inaccuracy in any such statement, and (iii) any other matter connected with or attributable to statements contained in this whitepaper.



# Crypto Background

Cryptocurrencies are a digital commodity based on an open source protocol. The cryptocurrency industry is an open, international transaction system that contains a number of cryptocurrencies and digital assets, whose value may be tied to the value of an underlying asset such as gold, which are both volatile and risky.

Accordingly, cryptocurrencies are not issued by any government, bank or central organization, and instead each exist on an online, peer-to-peer computer network (further, a “Cryptocurrency Network”) that hosts a public transaction ledger where transfers of that cryptocurrency are recorded (further, a “Blockchain”). The Cryptocurrency Network is accessed through software, and software governs cryptocurrency creation, movement, and ownership. Cryptocurrencies have no physical existence beyond the record of transactions on the Blockchain.

The Blockchain is a public record of the creation, custody, and flow of funds of a certain cryptocurrency, showing every transaction effected on the Blockchain among users’ online “digital wallets” where their cryptocurrencies are effectively stored. Cryptocurrencies may be sent or received through users’ digital wallets by using public and private keys that are part of each Cryptocurrency Network’s cryptographic security mechanism.

Blockchain technology was invented by Satoshi Nakamoto in 2008 as the public transaction ledger for the cryptocurrency called bitcoin, with the mathematical concepts and developments dating back to 1991 and the research focusing on cryptographically secured chain of blocks. Nakamoto’s ledger addressed the issue of double spending on the incorruptible decentralized server using mathematics (in contrast to a system which works with a central authority that is subject to human factor risks).

Nine years into development, the forward-thinking idea of decentralized ledgers applied to monetary systems and finance, investments and insurance, security and supply chains, have grown into a universe of blockchains and cryptocurrencies or digital assets.

More than that, an entirely new model for capital fundraising called the initial coin offering (ICO) is getting recognition both from companies looking for funding, and from investors looking for new opportunities. ICOs allow companies to raise money from individual investors through the distribution of digital assets (currencies or tokens) based on the uncorrupted ledger network.



From December 2013 to the end of 2017, the number of cryptocurrencies increased from 40 to 1,273 which constitutes a 3,083% increase<sup>1</sup>.

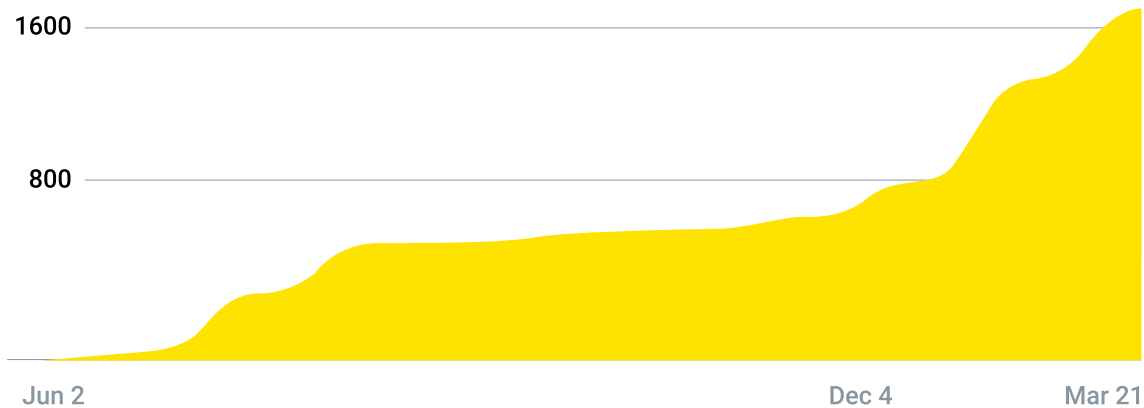


Figure 1. Number of cryptocurrencies 2013-2017

At the same time, these new cryptocurrencies stay highly volatile. For example, as recently as in December 2017, the global trading volume in cryptocurrency markets has passed \$50 billion, close to the average turnover on New York Stock Exchange<sup>2</sup>. This sharp increase then turned into a deep market correction during Q1 2018: the drop from the peak values was 70%<sup>3</sup>.

While the comparison is inexact, as the cryptocurrency market is arguably closer to the foreign-exchange market, this highlights just how popular and fast-growing the cryptocurrency market has become in a short period of time.

A clear illustration of growing interest into blockchain technology and its possibilities are the figures for ICO vs initial public offering (IPO) funding for the first quarter of 2018. The first quarter of 2018 saw 47 IPOs which raised \$16.3 billion - the highest amount of funding raised since 2014<sup>4</sup>. On the other hand, ICOs have already raised over \$6.3 billion during the same period which equals 118% of the total ICO funds raised for all of 2017. Both the size of the average funding round and the rate of project funding are higher than ever. The first quarter of 2018 saw 59% as many ICOs as in all of 2017 receive capital<sup>5</sup>.

Majority of people investing in these ICO projects were retail or small-time investors, however institutional investors are increasingly seeking to invest through ICOs due to their eye-catching returns. According to the report, on average, tokens have returned 12.8x the initial investment in USD<sup>6</sup>.

1 <https://coinmarketcap.com/historical>

2 <http://www.businessinsider.com/daily-cryptocurrency-volumes-vs-stock-market-volumes-2017-12>

3 <https://digrate.com/en/post/cryptocurrency-and-ico-market-q1-2018-results>

4 <https://www.pwc.com/us/en/services/deals/library/q1-2018-capital-markets-watch.html>

5 <https://www.coindesk.com/6-3-billion-2018-ico-funding-already-outpaced-2017/>

6 <http://www.businessinsider.com/how-much-raised-icos-2017-token-data-2017-2018-1>



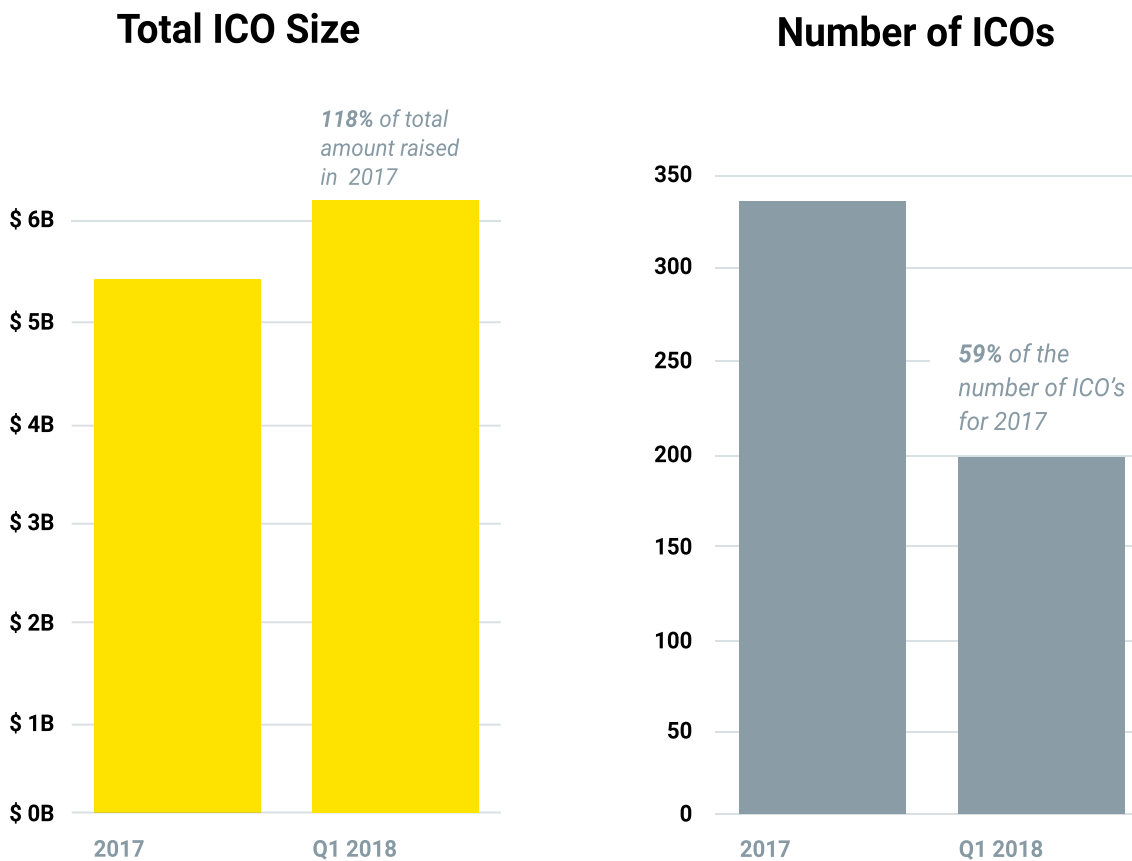


Figure 2. ICOs Total Amount Raised / Number of ICOs Funded 2017-2018

While those figures clearly evidence unprecedented interest from investors and users, many issues are still to be addressed both in conventional financial markets and in crypto world. Even though global financial markets offer a wide variety of highly liquid investment instruments, these markets largely remain closed to most investors due to either high entrance threshold or regulation, or both.

Financial regulation of traditional investment vehicles has been thorough and detailed for decades by now. Although this did not prevent several crises based on leveraged instruments, the regulation of investment activity, the entry into the market and the scope of knowledge needed are well-known, well-described, and well-taught in schools and universities.

An important recent development in opening the market to new participants was regulation crowdfunding introduced in the US under Title III of JOBS Act ("Regulation CF"), which opened the opportunities for non-accredited investors to put money into private equity or debt instruments. Just in the US, in the first year that equity crowdfunding was open to all investors, companies raised \$76.8 million<sup>7</sup>. While it reflects the trend to making different investment options available to everyone, these investments remain illiquid and highly unpredictable while demanding an in-depth investment assessment skill from its participants.

7 <http://crowdfundcapitaladvisors.com/2017-state-regulation-crowdfunding-report/>



One of the global market's largest cryptocurrency exchanges has an impressive \$9.5 billion daily trading volume and more than 250,000 new users added on a single day<sup>8</sup>. Despite such explosive growth, crypto markets stay largely unregulated and disconnected from global financial markets. They remain illiquid, volatile, highly speculative, and are vulnerable to a hack.

The main problem in the growth of cryptocurrencies is regulatory uncertainty. If it is not addressed soon, the number of traders, as well as investors in cryptocurrencies, could start decreasing. This is the reason why proper regulatory frameworks, as well as trading mechanisms, need to be involved.

Recent actions and statements by some government suggest that many tokens will be considered securities, and platforms that issue and trade crypto assets, would be regulated in a similar manner. We expect that regulatory bodies and governments globally will apply securities laws and regulations to investment services in crypto and to ICOs. This likely to result in a regulatory framework for all aspects of the market, including issuance requirements, disclosure requirements, secondary trading market requirements and the application of general compliance standards to security tokens.

There is a clear need in the market for a legal and compliant mechanism that connects conventional and crypto markets and is capable of partnering with traditional finance players such as banks and prime broker-dealers. At Zeus Exchange, we firmly believe that crypto finance is here to stay. It has evolved from existing financial market and therefore the two should be integrated - legally, securely and efficiently.

Moreover, experts in crypto and blockchain also predict that 2018 will be the year that cryptocurrencies become embedded in the traditional financial system<sup>9</sup>. These developments call for an innovative solution that bridges crypto and financial markets, creating a trusted ecosystem that follows the evolving regulations. That is why Zeus Exchange is the first unified platform not just for crypto markets but also conventional exchanges, what makes it the true bridge for the financial industry of tomorrow.

This white paper outlines Zeus Exchange's business operations, our partnerships, the scope of proprietary and licensed technology, countries of market entry and applicable legislation, the relevant market problems and the solution we provide.

8 <https://cointelegraph.com/news/exponential-growth-cryptocurrency-exchanges-are-adding-100000-users-per-day>

9 <https://www.forbes.com/sites/lawrencewintermeyer/2018/01/07/my-2018-crypto-predictions/3/#3c8108bd766e>



# Our vision

## Bridging financial and crypto markets

We are building a legally compliant investment environment comprised of the hybrid trading platform and an asset tokenization vehicle, connecting crypto and conventional exchanges, as well as the banks and payment providers.

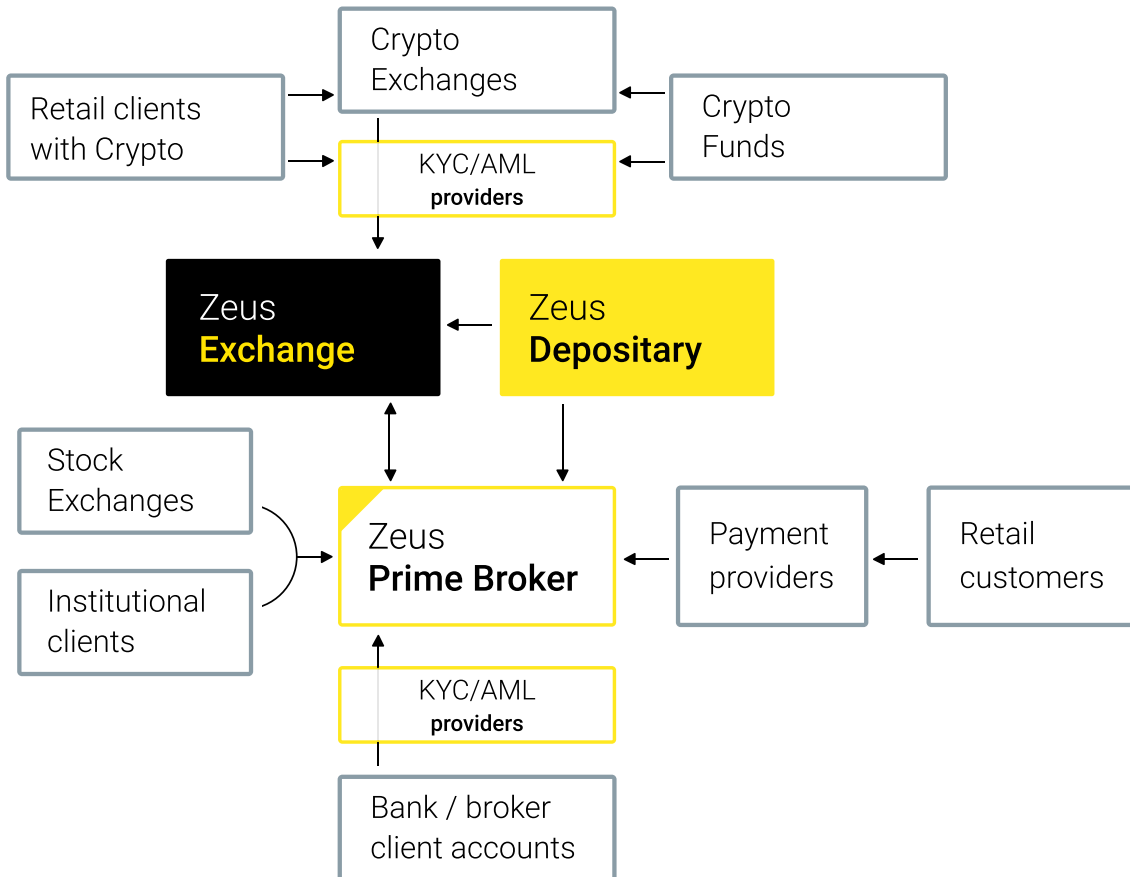


Figure 3. Zeus Investment Environment





We intend to:

- introduce a hybrid trading platform fit for the financial industry of tomorrow;
- build a transparent asset tokenization vehicle, that would become a part of the global financial infrastructure;
- develop coherent protocols to integrate partners and transfer solutions.

Our vision is to merge the traditional investments with the power of the blockchain, to allow our clientele to trade between conventional financial instruments and digital assets, using a single platform, and in a legal and fully transparent fashion.

We intend to execute this vision in a coherent manner, and with attention to detail in each key part of the proposed solution, such as fintech technology and infrastructure, licensing and compliance, client interface and integration with partners.

We aim to become a vehicle of choice for professional and retail investors around the globe.



# Problem

## Crypto investors are locked out of capital markets

We see unique market opportunities arising from the need to bridge conventional financial markets and cryptocurrencies, and to provide ready liquidity for crypto investors. We understand the limitations of the traditional financial markets and their tough regulatory requirements, while also recognizing that the crypto world lacks basic regulations needed to avoid outright fraud.

We are addressing the following problems:

- Lack of trading terminals with simultaneous access to financial and cryptocurrency markets. Crypto investors cannot trade conventional financial assets for cryptocurrencies unless registered at multiple trading platforms and being subject to transaction and deposit fees on each.
- Lack of familiar investment instruments and ready liquidity in crypto markets. Investors either face high volatility of individual cryptocurrencies or have a choice of investing into a variety of even more volatile digital tokens, issued by startups that may cease to operate at any moment.
- Disconnect between traditional and cryptocurrency markets prevents easy movements of capital between asset classes and trading the difference in pricing of similar asset classes. For example, in order to arbitrage between shares and their GDRs, a human or computer trader goes through one trading terminal or API and creates trades in a matter of seconds. With crypto assets a similar arbitrage style of trading may involve a number of exchanges and interfaces, while transfer of digital assets and funds between the exchanges could take hours, if not days. Direct exchange of digital assets for conventional financial instruments is not possible at all at this time.
- Insufficient legal, compliance and security framework for crypto investments. We appreciate the promise of shared and distributed economy but have to conclude that without proper legal structure and consistent regulatory compliance, any type of an investment would become risky and unduly volatile.
- Lack of retail investment instruments. Financial markets generally have higher limits for retail investment, which provided a boost for the crowdfunding markets some time ago. Digital assets present a lower threshold to new entrants, which accelerated the development of innovative retail investment products, and will spur the competition with traditional markets.



# Solution

## Zeus is a bridge between financial and crypto markets

Zeus Exchange is developing a hybrid investment environment to trade traditional financial instruments and digital assets in a single place and at a low cost, while staying fully compliant with applicable legal and regulatory requirements in each of the jurisdictions of our operations.

- A real-time hybrid trading platform Zeus Exchange, that allows investment in digital assets and conventional financial instruments in a single place;
- Tokenization vehicle Zeus Depository, that allows creation of digital equivalents of securities belonging to conventional asset classes, and to manage these digital assets through their life cycle;
- Techniques and protocols for Zeus Exchange and Zeus Depository to interoperate with banks, exchanges, brokers, investment funds and various financial partners;
- Legal, compliance and security framework to deposit and withdraw funds and cryptocurrencies, to trade conventional financial instruments and digital assets, effectively going between various markets.

Our product architecture integrates established financial technologies and new blockchain approaches to build a vehicle of choice for professional and retail investors around the globe, integrating conventional and crypto markets.

Zeus Exchange clients will be able to trade XYZ stock shares for fiat currency, and optionally take delivery of XYZ in their broker accounts, and to withdraw funds to their bank account, all utilizing legally compliant methods. Likewise, Zeus Exchange clients may trade tokenized CRYPTO-XYZ (CXYZ) for cryptocurrencies.

Once CXYZ is issued at Zeus Depository, the underlying XYZ instrument is held frozen at the Zeus Exchange broker account until the CXYZ redemption. A client may choose to redeem CXYZ at a nominal cost and receive the actual XYZ instrument.

Once the client sells CXYZ on Zeus Exchange, she can withdraw cryptocurrency to her own wallet, to exchange the cryptocurrency to fiat, and then withdraw the funds to a bank account.

Bank accounts, broker accounts, cryptocurrency wallets, and payment solutions would be integrated with Zeus Exchange and Zeus Depository through a set of protocols and APIs, such as FIX and FAST, with strict security between our platform and our partners'.

Our technology solutions will establish controls and maintain compliance with audit and reporting requirements. Security systems will monitor, track, filter, and ultimately restrict various categories of transactions. This will allow us to satisfy regulatory and compliance criteria in jurisdictions of our operations, and to work with the strictest of financial and investment partners.



# Value proposition

- Trade on a single platform. Zeus provides an opportunity to trade conventional and digital assets on a single platform, accessed through mobile, web and desktop interfaces.
- Start trading with as little as \$100. A range of new trading instruments combined with low fees and solid legal framework create a new window of opportunity for retail investors.
- Bridge the liquidity gap. Zeus connects cryptocurrencies to global financial markets and provides additional liquidity between the markets through the asset tokenization. Traditional markets feature less volatility compared with cryptocurrencies, and Zeus allows current crypto investors to participate without leaving the more familiar “crypto-world”.
- Implement arbitrage. Zeus business and legal framework allow traditional and crypto investors to execute arbitrage between exchanges, thus benefiting from price differences between digital assets and matching conventional assets.
- Enable security and trust. Zeus is using the blockchain technology to assure the emission of digital assets, secure deposit and withdrawal of crypto assets, and tracking of settlement and trade completion.
- Engender transparency. Zeus is developing a securities and cryptocurrency trading platform duly licensed and complying with capital requirements and AML regimes in jurisdictions of our operations.



# Target audience

	Retail investors	Traders	HNWI	Investment vehicles
Professional trading platform	●	●	●	●
(web, mobile and standalone for high frequency trading)	●	●	●	●
Low cost trading	●	●	●	●
Integration with banks and e-wallets	●	●	●	●
Arbitrage between markets		●		●
FIX/FAST or standardized API		●		●
White label platform	●	●	●	●
Margin & short trading				
OTC market		●	●	●
Deal execution			●	
Risk management and risk control		●	●	●
Full compliance	●	●	●	●



# Zeus Exchange

We intend to develop a real-time hybrid trading platform Zeus Exchange, that would allow investors to invest in digital assets and conventional financial instruments in a single place and at a low cost.

Our intended product architecture integrates financial technologies and blockchain technologies to build what we envision would be the vehicle of choice for professional and non-professional investors around the globe, integrated with conventional and crypto markets at the same time:

- Zeus Exchange is used time-proven financial technology that connects international markets, trading platforms, risk management and the back office to ensure smooth market quotation, deal execution, deal settlement, and confirmation, as well as a transparent reporting system. Our trading infrastructure can work with any prime broker with a standardized market connection. It does not depend on a particular prime broker's specific technology. In fact, we can work with multiple prime brokers at the same time. Access to traditional exchanges is provided as part of our trading platform in order to allow our clients to convert between different asset types. Traditional assets will be purchased through the prime broker. The prime broker, in turn, will provide connectivity to all the necessary exchanges and trading pools. We do not plan to re-sell traditional prime broker services to retail clients;
- we enrich this architecture with the power of blockchain to implement multiple layers of security and data transfer, and to regularly audit all trades. Initially Zeus Exchange will use NEM blockchain technologies, such as multi-signature, hot-cold wallet, private and public blockchain anchoring and atomic swaps. We intend to provide general connectivity to other blockchains for Zeus Exchange in the future via development partnerships; and
- finally, we intend to offer a new asset class, which is more suitable for retail, especially those clients with crypto holdings. Digital assets provide an alternative for the investment, create an arbitrage opportunity between markets, and facilitate liquidity. We intend to issue digital assets under Mosaic NEM technology at the time of launch and provide trading architecture for digital assets issued at multiple blockchains for Zeus Exchange in the future. A detailed explanation of digital assets and the asset tokenization vehicle is provided in the chapter on Zeus Depository functionality and technology.

Zeus Exchange will provide front-end functionality that makes deal execution simple and transparent on mobile, web and desktop.

## How it works

We aim to provide access to the US, European and Asian financial markets, to a selected range of crypto shares and a selected choice of cryptocurrencies to trade, broadening the choice of instruments available based on the client demand. Initially only equities (blue chips) will be supported. Other asset types can easily be supported and will be added based on existing demand.



### Open account and deposit assets

- 1 A client opens an account at Zeus Exchange and goes through 'know-your-client' (KYC) procedures. A client also supplies his bank account details for settlements in money, bank and broker details for settlements in money and shares, and e-wallet details for settlements in cryptocurrency.
- 2 Once KYC is completed, Zeus Exchange signs a broker agreement with the client, and assigns a unique client ID. Zeus Exchange also provides its bank account details, broker details and e-wallet instructions.
- 3 A client wires the assets (currency, cryptocurrency, shares) into the Zeus Exchange accounts under the broker agreement, and Zeus Exchange conducts the anti-money-laundering (AML) checks to verify the source of the funds involved in transaction.
- 4 Once AML checks are completed, and the money transfer is complete, a client receives his trading limits in broker account system.
- 4 Finally, Zeus Exchange sends details to the client to enable him to access the trading terminal using a unique ID.

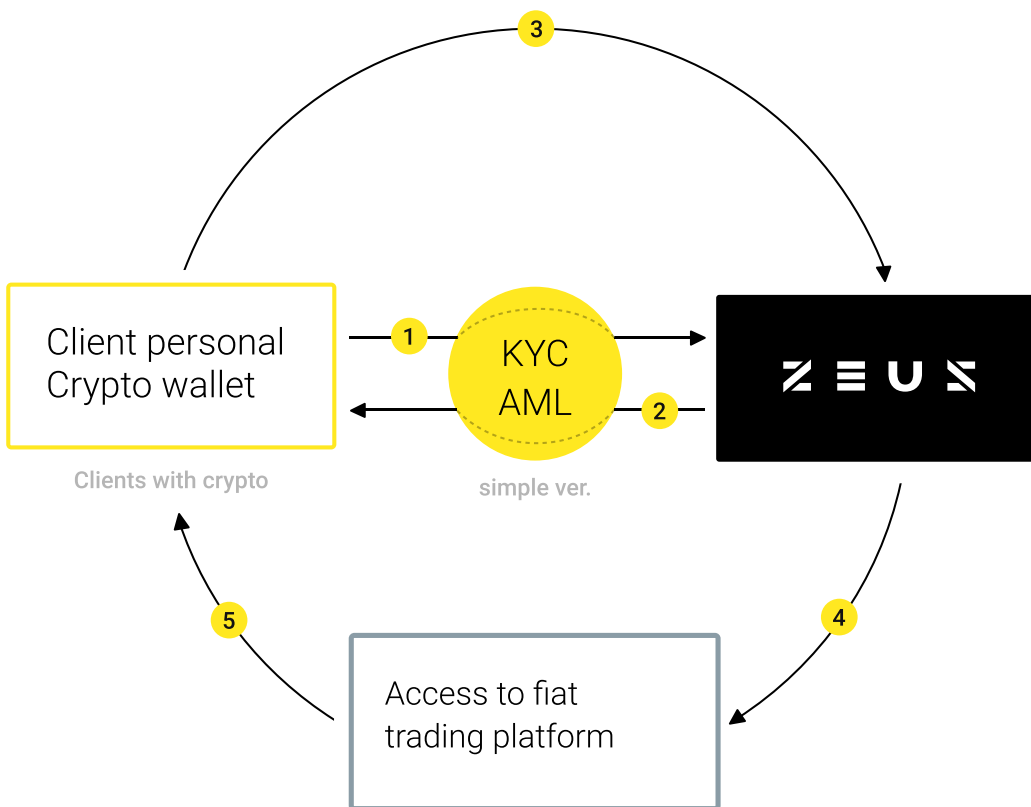


Figure 4. Open account and deposit fiat currency.



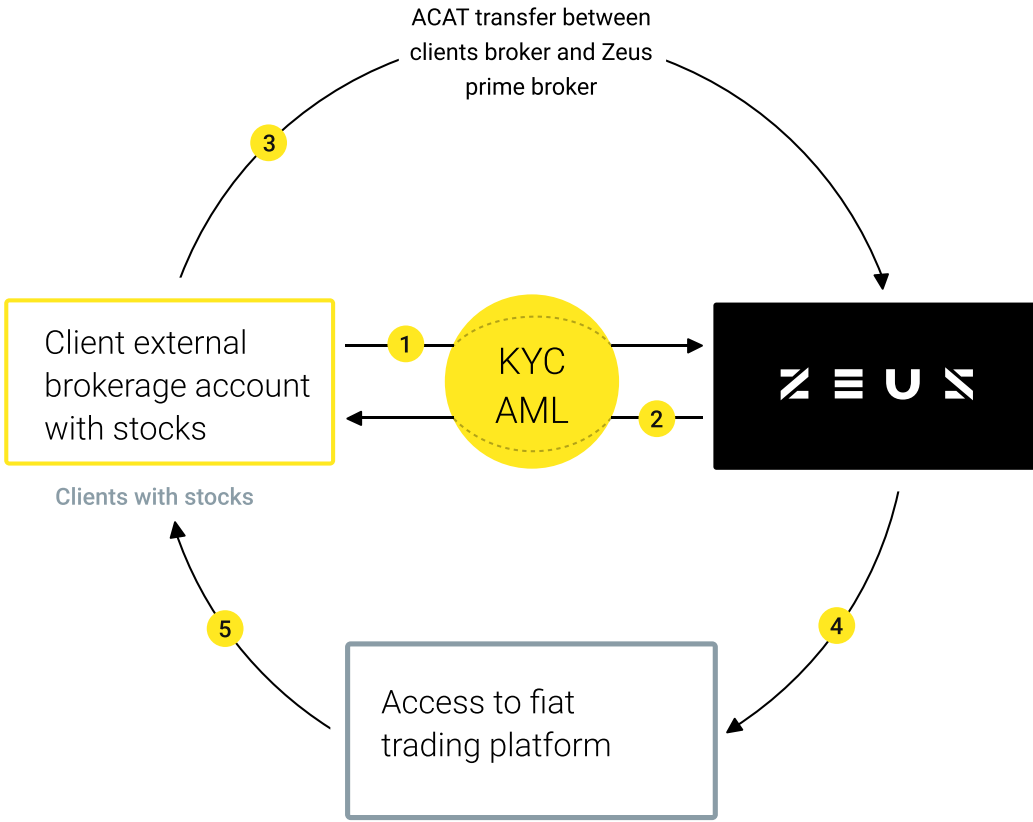


Figure 5. Open account and deposit cryptocurrency.

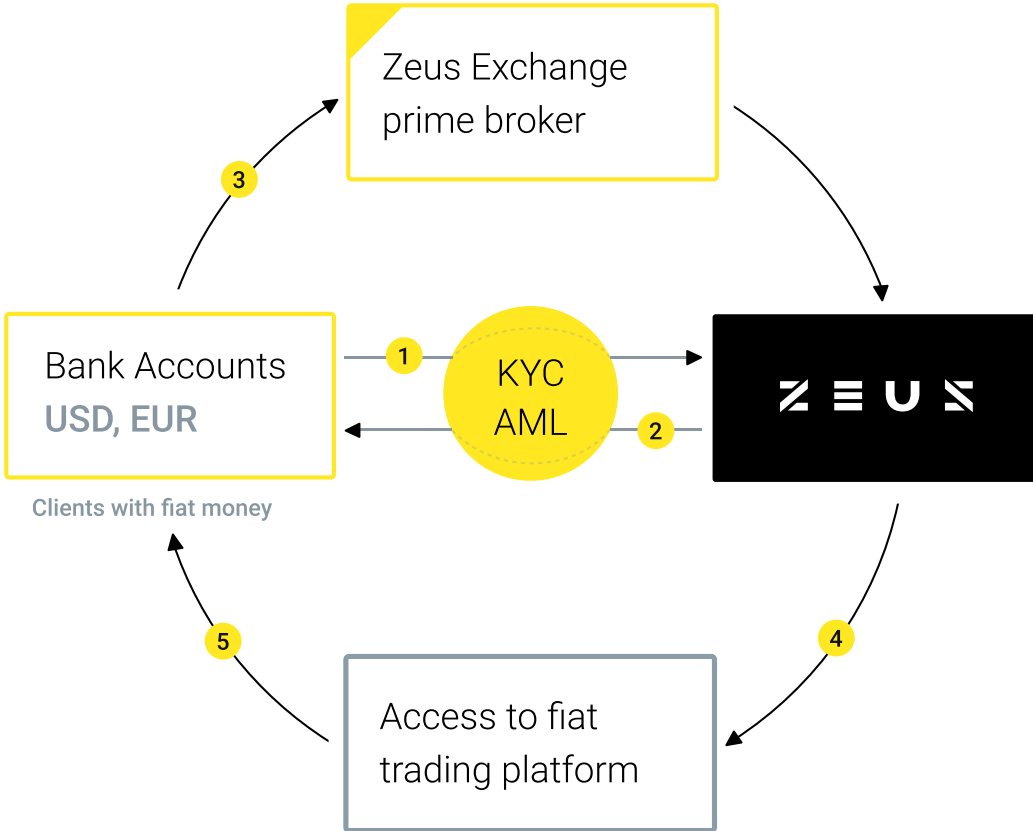


Figure 6. Open account and deposit equity stocks.





### Explaining the trading workflow of Zeus Exchange:

- Client opens a currency/crypto/brokerage account as described above.
- Client sends an ACAT order to deliver already existing XYZ shares from his own broker to Zeus Exchange brokerage account.
- Alternatively, a client is able to trade XYZ shares for fiat currency at Zeus Exchange platform.
- Client is also able to send a conversion order to Zeus Depository to convert shares into CXYZ digital shares. XYZ shares would stay frozen at the Zeus Depository broker account against issued CXYZ digital shares.
- Once the conversion has been done, client is able to place an order to sell CXYZ digital shares at Zeus Exchange for cryptocurrency.
- Zeus Exchange matches the order and executes the deal.
- Client receives cryptocurrency and is then able to either convert this to other cryptocurrencies or fiat currencies or send a withdrawal order for cryptocurrency as described below.
- The new owner of CXYZ digital shares is able to either sell those for cryptocurrency or send a conversion order to Zeus Depository to exchange CXYZ digital shares for underlying XYZ shares, and then send a withdrawal order to Zeus Exchange to receive XYZ shares in his broker account as described below.

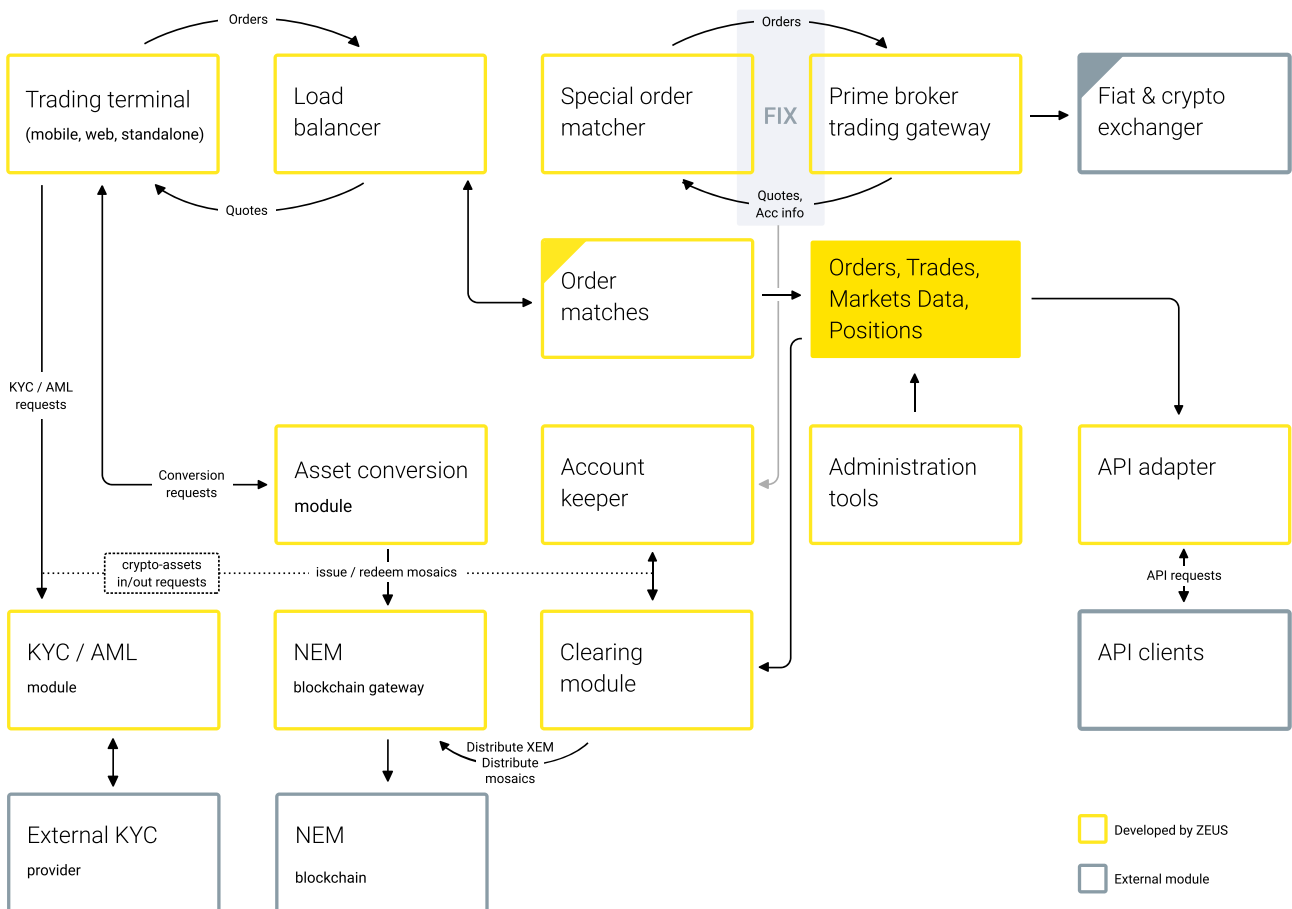


Figure 7. Zeus Exchange Trading Workflow.



### Withdrawal of assets

- 1 Client sends a withdrawal order for currency, cryptocurrency, shares or digital shares to Zeus Exchange.
- 2 Zeus Exchange executes a withdrawal order through bank transfer, the ACAT system or through the transfer of cryptocurrency and digital assets after the exchange has cleared such transfer (specific clearing hours will be established later, but the general clearing procedure will be conducted 1-2 times per trading day).

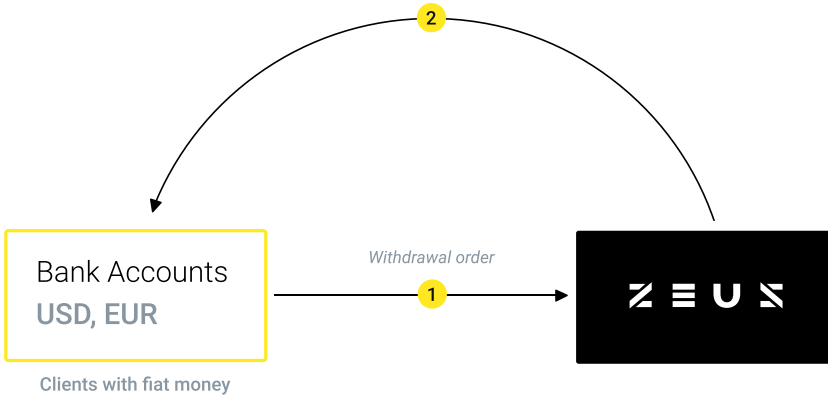


Figure 8. Withdrawal of fiat currency.

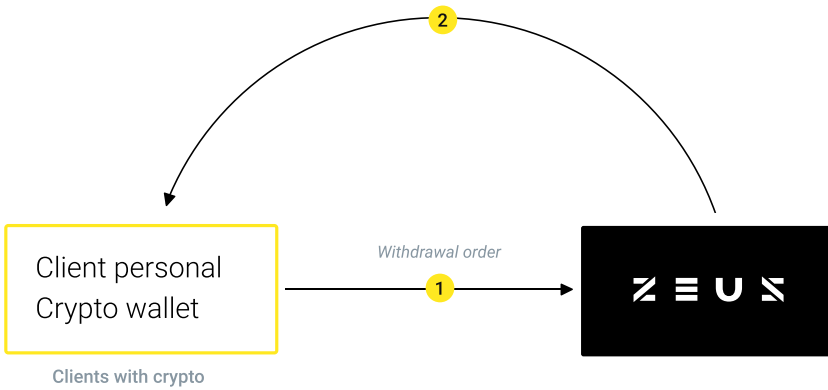


Figure 9. Withdrawal of cryptocurrency.

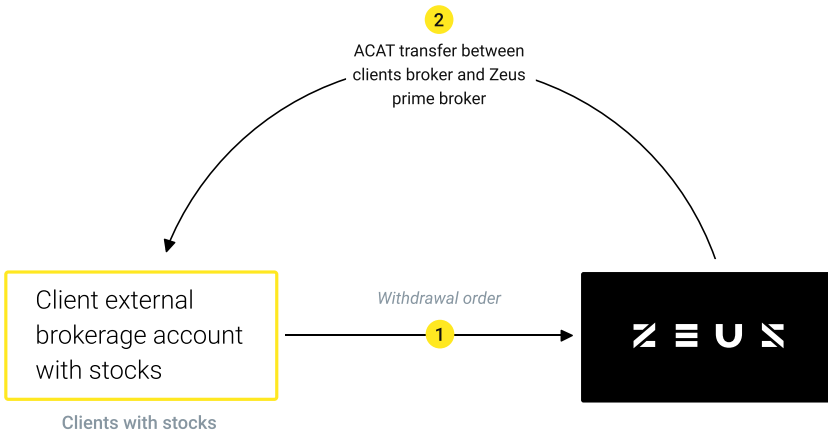


Figure 10. Withdrawal of equity stocks.



# Zeus Exchange functionality

	Alpha	Beta	2019-2020	2020-2022
Compliance procedures for opening accounts	●	●	●	●
Opening of broker, trading, currency and cryptocurrency accounts	●	●	●	●
Establishing trading limits for trading desk separated by individual trading accounts	Single trading account	Single trading account	●	●
Depositing fiat currency from external bank accounts	USD, EUR	USD, EUR	More options	More options
Depositing cryptocurrency from external wallets	XEM	XEM, BTC	More options	More options
Depositing shares from external broker accounts	US markets	US, European markets	US, European, Asian markets	US, European, Asian markets
Displaying trading balances and transactions in real time in currency and cryptocurrency	●	●	●	●
Choice of conventional assets	Stocks	Stocks a commodities	Stocks, currency, commodities, futures, options	All types of conventional assets
Choice of digital assets	Digital shares for most liquid US shares	Digital shares for most liquid US shares	Digital shares, digital commodities, futures for cryptocurrency	Digital shares, commodities, interest rates, futures and options for digital assets
Trading conventional assets for currency	USD	USD, EUR	More options	More options
Trading digital assets for cryptocurrency	XEM	XEM, BTC, ETH	More options	More options



	Alpha	Beta	2019-2020	2020-2022
Changing cryptocurrency and currency	Not available	●	●	●
Trading conventional assets for cryptocurrency	Not available	OTC only	OTC only	Available for all clients
Execution of conversion between digital and conventional assets in both directions and in real-time	●	●	●	●
Placing market orders (market, limit, stop limit)	●	●	●	●
Marginal and short trading	Not available	Not available	●	●
OTC wallets for high volume trading in crypto (funds, HNWI)	Not available	OTC only	OTC only	OTC only
Integration of protocols for high-frequency trading	Not available	Not available	●	●
Integration of protocols for professional investment vehicles	Not available	Not available	●	●
Withdrawal of crypto to crypto wallets	XEM	XEM, BTC, ETH	More options	More options
Withdrawal of fiat from trading account to bank accounts and bank cards	USD	USD, EUR	More options	More options
Withdrawal of shares from trading account to client's broker accounts	US markets	US, European markets	US, European, Asian markets	US, European, Asian markets
Storing market data and the history of all trades	●	●	●	●
Receiving deal tickets and back-office confirmations	●	●	●	●
Receiving deal confirmations and balances for the tax and compliance purposes of the third parties	●	●	●	●



# Zeus Depository

We are developing a legally compliant tokenization vehicle Zeus Depository, to create digital equivalents of securities belonging to conventional asset classes, and then manage such a digital asset over its life cycle.

The intended architecture of Zeus Depository integrates financial technologies and blockchain technologies to build what we envision to be a generally accepted practice in asset tokenization, and a part of the future market infrastructure:

- Zeus Exchange uses time-proven technology for system roles management for clients, administrators, risk-managers, clearing managers and other participants, proper KYC/AML procedures which are built-in, custodian functions, escrow accounts to hold underlying assets matched with digital asset balances, general security and information control, as well as coherent integration protocols for trading and payment systems, and other functionality, that are essential to create a system of accounts, balance checks, asset audit and general integration of the tokenization vehicle to any trading vehicle; and
- we enrich this architecture with blockchain possibilities to implement an asset tokenization mechanism that includes but is not restricted to asset life cycle management (such as issue and redemption of digital assets), checks and audits on the balance of the digital assets and the underlying conventional assets, ownership checks and integration with various blockchains. We intend to issue digital assets under Mosaic NEM technology at the time of the launch, and to provide the architecture for digital asset management issued at multiple blockchains within the Zeus Depository in the future.

Zeus Depository is an asset depository, which is used to hold and manage traditional and digital financial assets. The Depository ensures exact correspondence of all issued digital assets with their matching conventional instruments. External auditors can readily verify all reports produced by Zeus. Digital asset settlement and deal completion are published to the blockchain.

We will open Zeus Depository solution to the broader market in 2019 but will be launching an alpha of Zeus Depository in 2018, for internal use only, under our prospective broker-dealer and depository licenses, and through our prime brokers' custodian license.

We foresee that Zeus Depository may become a broadly used component of the worldwide infrastructure for the tokenized assets and anticipate a range of partnerships with major asset holders, exchanges, banks, brokers and investment funds.



**Asset tokenization**

Digital asset is a security token issued for the specific underlying asset held at the Zeus Depository. Digital assets provide a novel investment vehicle, create an arbitrage opportunity between the markets, and facilitate ready liquidity.

Traditional financial assets backing digital assets issued by Zeus, are held by the prime-broker, subject to all the traditional custodian, regulatory, and security levels of protection. Digital assets issued by Zeus are held on a public blockchain, thus ensuring full transparency. A special mechanism is present in NEM blockchain, which permits us to ensure that all movements of our digital assets are done through Zeus platform, allowing KYC/AML compliance and security protection.

The expected settlement window for asset conversion is T+0 or T+1. Specific clearing hours for Zeus Depository will be established later. General clearing procedure will be conducted 1-2 times per trading day.



**Explaining the workflow of Zeus Depository:**

- 1 Client deposits assets, such as stocks, commodities or bonds, into the Zeus Depository custodian account or places assets, such as fine arts, into an escrow account or an escrow deposit (an underlying asset) through Zeus Depository licensed partners.
- 2 Assets are frozen at the Zeus Depository, and the digital shares are issued under the protected NEM Mosaic technology and, in future, via other blockchains.
- 3 Client receives digital shares in his Zeus Exchange e-wallet and may then trade those for cryptocurrency.
- 4 Client is willing to receive underlying shares.
- 5 Client sends a request to Zeus Depository to redeem digital shares. Zeus Depository transfers shares onto client's account and burns the digital shares.
- 6 Total number of digital shares (tokens) is equal to the number of shares. All Zeus Depository funds are publicly audited, all digital asset offerings are written on the public blockchain.

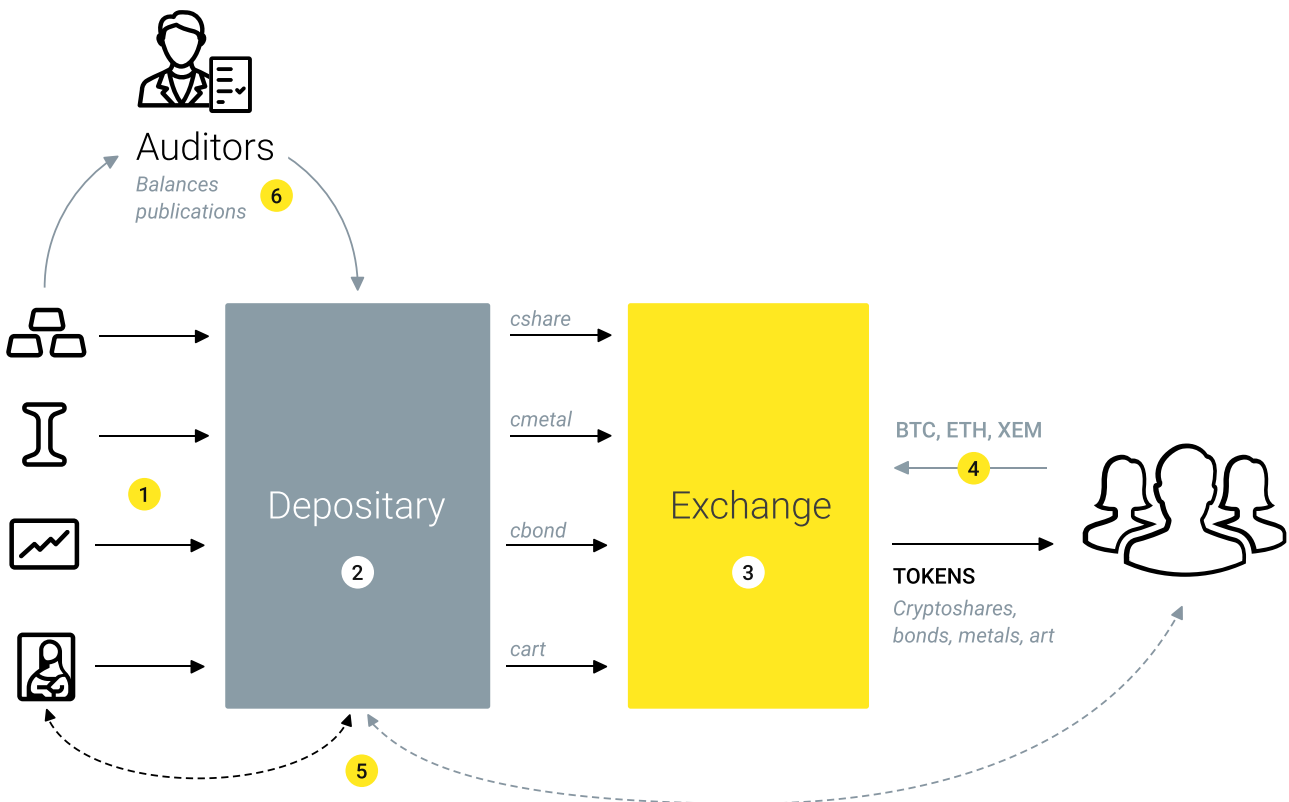


Figure 11. Zeus Depository Workflow.



# Zeus Depository functionality

Functionality	2018-2019	2019-2021
Client identification	Zeus Exchange	External partners
System roles management & risk-management	●	●
Digital asset life cycle management	NEM-issued	Multiple blockchains
Digital asset classes	Conventional shares only	Multiple asset classes
FIX/FAST or standardized API	Zeus Exchange	External partners
Security control	●	●
Managing commissions through the digital assets life cycle	●	●
Multi-signature accounts (Client; Exchange; Depository)	●	●
Escrow account for investment companies		●
Multi-currency wallets		●
Digital asset issuance within several blockchains at the same time		●
Digital IPO services		●





# Technology protocols

We intend to offer multiple integration opportunities for traditional financial vehicles and for crypto markets.

Zeus Exchange and Zeus Depository technology is based on an overarching vision to build a legally compliant investment environment.

It entails integration with a multitude of external partners, such as banks and exchanges, brokers and investment funds, crypto exchanges and tokenization vehicles, AML/KYC providers and audit companies, and other potential partners and providers that we might in the future collaborate with. To some extent already existing protocols may be implemented (FIX/FAST or standardized API), while in some cases we would have to code our own points of entry and exit for our environment (our proprietary APIs).

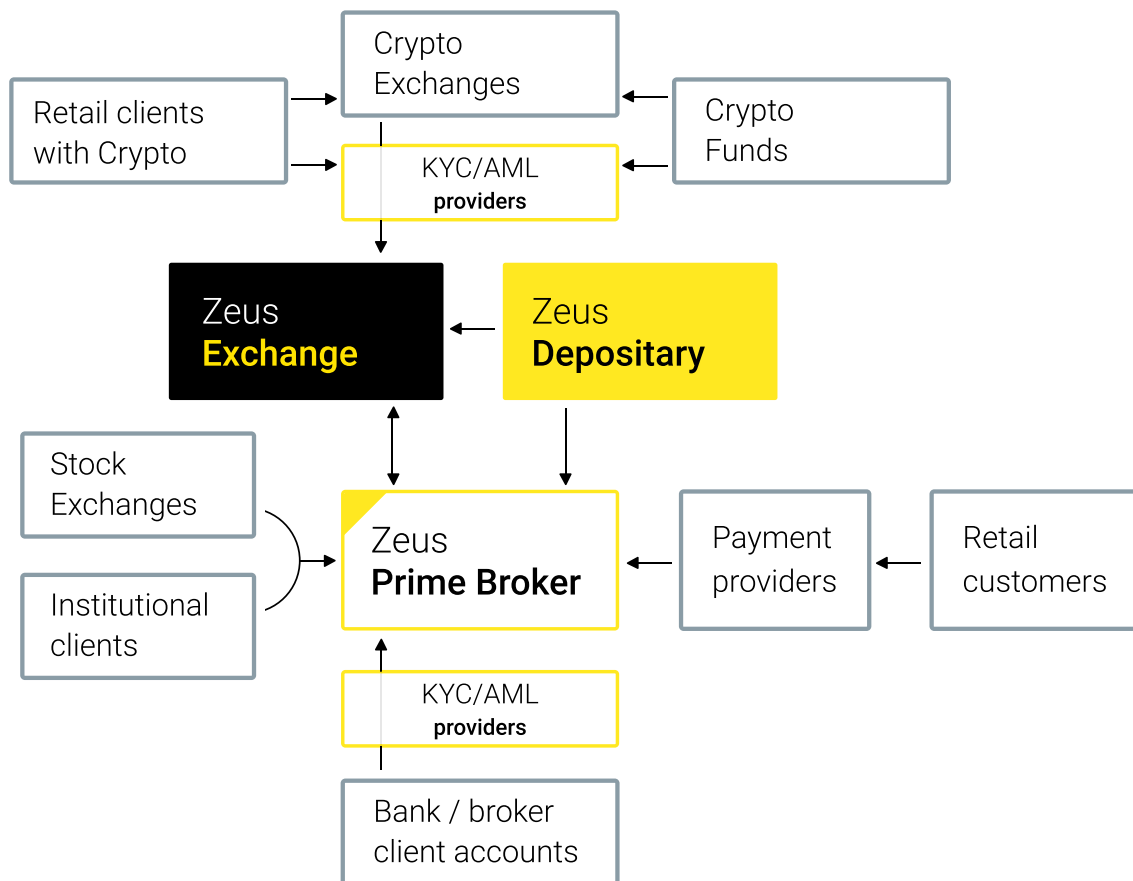


Figure 12. Zeus Investment Environment.



# Regulatory Regime

The blockchain and cryptocurrency industry is under increasing global regulatory focus and it is inevitable that it will be subjected to the same level of regulatory compliance and scrutiny as the conventional financial industry.

We understand that, depending on the operational model we chose, our trading platform, once launched, will be subject to existing extensive regulations applicable to banks, broker-dealers, electronic trading systems and other financial institutions in countries of our operations.

Also, most jurisdictions are now considering implementing specific regulatory regimes to trading, custody and circulation of cryptocurrencies and such regulation is upcoming in the near future. For example, the government of Malta proposed the draft legislative package regulating activities in connection with or involving the use of distributed ledger technology assets ("DLT assets"). The draft, among others, introduces the concepts of DLT asset, DLT platform and ICO, identifies criteria for applicability of new regulatory regime to business models, and determines the status of DLT service providers and other participants. The draft legislative framework is expected to be adopted by the Parliament by the end of June this year. In Gibraltar, apart from adopted legislative amendments introducing licensing requirements for providers of services with the use of blockchain technology, so-called DLT providers, which came into force starting January 2018, the government of Gibraltar has proposed draft legislation regulating ICOs. The draft is expected to be considered by the Parliament in the second quarter of 2018.

We are working to develop a securities and cryptocurrency trading platform fully licensed and complying with capital requirements and anti-money laundering regimes in the jurisdictions where we intend to launch our operations.

Our technology solutions will establish and maintain compliance, audit and reporting systems to monitor, filter, restrict, or otherwise oversee various categories of transaction on our platform which will allow us to satisfy regulatory and compliance criteria in countries where we intend to launch our operations, and quickly adapt and respond to the changing regulatory environment. We consider Malta, Gibraltar, Estonia, Singapore, Switzerland, Luxembourg and Lichtenstein as the most favorable jurisdictions to launch our initial operations and would seek to subject ourselves to regulators in one or a number of those jurisdictions depending on the operational model we chose. Finally, the jurisdictions and/or persons where the use of the Crypto Zeus services would not be allowed or explicitly banned, include, but are not limited to Cuba, Iran, Venezuela, North Korea, Sudan, and Syria.

## Strategic Partnerships

We are open and actively looking for partnerships with firms that have the licenses and experience we will need to build a truly hybrid trading platform. Strategic partnerships may be formed through acquisitions, joint ventures, umbrella services or vendor relationships. We intend to implement the governing legal ecosystem for all Zeus Exchange services by 2025 to operate in Asia, North and South America, England and Europe, Russia and the CIS.



# Security

We intend to provide multiple security layers to ensure proper trading and tokenization mechanisms for operations.

Zeus Exchange and Zeus Depository exist within a legal, compliance and security framework to deposit and withdraw currency and cryptocurrency, to trade conventional and digital assets, and easily go between markets.

It generally means that, to some extent, we would be relying on the traditional financial security infrastructure and, to some extent, draw from the capabilities of blockchain technologies.

Security levels	2018-2019	2019-2021
Own broker-dealer client data	Stored for regulatory reporting purpose	Under regulatory requirements (data servers), under broker risk-management and data security requirements
Deals flow & back-office	Stored for regulatory reporting purpose	Under regulatory requirements (data servers, cloud servers), for exchanges data security requirements (cloud servers)
Client data (KYC/AML)	Stored for regulatory reporting purpose	Under regulatory requirements (data servers)
Client passwords	Not stored	Mechanisms for password recovery only
E-wallet private keys (Client)	Not stored	Under multi-signature technology, hot-cold wallet technology and any other levels of security chosen by the client in addition to our services
Passwords and e-wallet private keys (Exchange & Depository)	Stored	No online access. Can only be accessed during short clearing periods, through multi-signature external flash cards.



# Market entry strategy

There are several distinctive phases in our market entry strategy, subject to technology, regulatory and financial constraints.

We will stay focused on launching the key product elements to create a proof of concept. Afterwards we will be scaling the solutions while creating opportunities with potential partners. The phases for our launch are detailed below:

## **Phase 1. Alpha Zeus Exchange and Alpha Zeus Depository. 2018.**

We start with a niche market of the crypto community. We expect both big crypto holders and micro investors to adopt Zeus Exchange as means for reinvesting crypto. Alpha launch would happen in a few carefully chosen jurisdictions in Asia and Europe with predictable investment regulations and favorable crypto regulation.

- we consider Asia as our long-term key market both for professional and non-professional investors, and we will focus on providing priority access to our platform to clients from the region;
- Zeus Exchange will offer the deposit and withdrawal of USD, EUR and XEM cryptocurrency only;
- Zeus Depository and Zeus Exchange will offer shares listed on US markets, and a selected range of digital shares, based on most liquid US stocks; and
- we will continue to set up additional countries of entry and appropriate licenses according to our legal roadmap, using our acquired experience and knowledge, and taking into consideration the expected regulatory changes.

We expect, that the jurisdictions and/or persons where the use of Zeus Exchange services would not yet be available, include, but are not limited to, the United States of America, Canada, Australia, New Zealand, the UK, the People's Republic of China and South Korea; in addition, Zeus Exchange services cannot be offered to U.S. persons.



**Phase 2. Beta Zeus Exchange and Zeus Beta Depository. 2019:**

We will add services for the crypto-funds, investment funds and HNWI, including, but not restricted to:

- FIX/FAST/API protocols and individual setups for companies, subject to compliance, risk management and liquidity needs;
- we expect to add European and Asian stocks to the pool by 2019 and offer a wider range of digital shares based on the liquidity of the underlying shares, such as top-100 NASDAQ/NYSE, top-50 European stocks, top-50 Hong Kong stocks;
- we intend to add other major cryptocurrencies for deposits and withdrawals in 2019;
- in general, we plan to add assets and digital assets based on the regulatory environment, client demand, exchange risk management and our ongoing broker-dealer partnerships in different markets;
- we intend to add multicurrency wallets at Zeus Exchange as well as escrow accounts at Zeus Depository;
- we also expect to continue setting up additional countries of entry and obtaining appropriate licenses according to our legal roadmap, using acquired experience and knowledge, and taking into consideration the expected regulatory changes; and
- we expect to continue negotiating with investment funds and exchanges and with payment providers for the future launch of Zeus Exchange and Zeus Depository to the broader market, based on the business demand.

We expect, that the jurisdictions and/or persons where the use of Zeus Exchange services would not yet be available, include, but are not limited to, the United States of America, Canada, Australia, New Zealand, the UK and the People's Republic of China; in addition, Zeus Exchange services cannot be offered to U.S. persons.



**Phase 3. Zeus Exchange and Zeus Depository 2019-2020**

Our efforts would mainly be focused on Asian markets, with the aim of scaling retail capacity:

- we intend to integrate the Zeus Exchange mobile application into payment providers' system based on our partnerships and in accordance with approved legislative and licensing requirements, and available market infrastructure;
- we aim to launch partnership bank cards and wallets for the Asian markets;
- we aim to launch OTC wallets for HNWI from Asia and Europe;
- we aim to continue working with professional investors in Europe;
- we aim to add other digital asset types, such as digital commodities;
- we aim to launch Digital IPO services for Asian companies that are fundraising;
- we aim to attract clients from the world of professional investors (traders, funds, broker-dealers) through organic and paid marketing, and through partnerships with investment counterparties;
- we plan to continue setting up additional countries of entry and obtaining appropriate licenses according to our legal roadmap, using acquired experience and knowledge, and taking into consideration the expected regulatory changes;
- we aim to integrate asset management and trading partners with the Zeus Depository so that digital assets of the Zeus Depository would be available at Zeus Exchange and at other trading platforms; and
- we expect that by this point we will be able to work within European Union and the UK in full capacity.

We expect, that the jurisdictions and/or persons where the use of Zeus Exchange services would not yet be available, include, but are not limited to, the United States of America, Canada, Australia, New Zealand, the People's Republic of China; in addition, Zeus Exchange services cannot be offered to U.S. persons.



**Phase 4. Broader market adoption 2020-2025**

We expect broader market adoption once the upcoming relevant regulation in different markets, including, but not restricted to Europe and the UK, Asia, North America and Latin America, Russia and the CIS, is in place and tested, and once our entire legal framework is set up.

- we intend to grow our client base in professional investments and launch industry-specific instruments and products, such as FIX/FAST/API protocols for clients and partners, algorithmic trading tools, escrow accounts and institutional multi-signature accounts, risk management tools and more;
- we intend to grow our client base in retail investments and launch retail-specific instruments and tools such as mobile solutions and wallets, investment advice, AI for trading strategies and more;
- we intend to continue setting up additional countries of entry and obtaining appropriate licenses according to our legal roadmap, using acquired experience and knowledge, and taking into consideration the expected regulatory changes;
- We will consider partnering with global EdTech platforms for education and future employment in finance, investment and crypto-economy;
- We expect that by this point we would be operating in the United States of America, Canada, Australia and New Zealand, as well as serving U.S. persons; and
- We expect that by this point we will be able to work within the People's Republic of China.

In general, the jurisdictions and/or persons where the use of Zeus Exchange services is not allowed or explicitly banned, include, but are not limited to Cuba, Iran, Venezuela, North Korea, Sudan, and Syria.



# Business model

Zeus Exchange and Zeus Depository will charge various transaction commissions, including subscription fees, withdrawal commissions and settlement fees, depending on the market and trading volume.

The basic fee structure is outlined below. This structure is a subject for the future detailing and change depending on possible market advances and / or unforeseen events.

Commission type	Zeus Exchange	Zeus Depository
Opening an account	0%	0%
Depositing fiat, crypto, assets (except external party commissions)	0%	0%
Withdrawing fiat, crypto, assets	0.1%	0.1%
Trading commissions per trading volume	0.1%	
Converting assets to digital assets or digital assets to assets		1%
Exchanging currency and cryptocurrency	1%	





# Founding Team

The Zeus Exchange team combines expertise in trading, financial technologies, investment services, brokerage, hedge funds, startups, and blockchain development.

## **Olga Duka** – CEO

Olga is an infinitely curious serial entrepreneur with strong product vision backed by 15 years of experience in financial markets. Her professional career includes working as a trader and a portfolio manager in international markets and launching startups that produce unique events and develop products in Arts and Education. Among her recent projects are a fintech startup Startwise, a philanthropy startup Giveback, and the renovation of St. Petersburg Artplay Cultural Center.

## **Sergey Litvin** – CIO

Sergey is a veteran of Technology and Industry. His expertise includes extensive knowledge of business strategy and project management, backed by the entrepreneurial wit and clear investment vision. Sergey has a proven success record of growing companies toward global expansion that includes taking a company from a startup to an IPO.

## **Alexander Tsyglin** – CMO

Alexander has been working in the stock markets for over 11 years. His experience with brokerage and retail finance includes Marketing and Communications in financial markets in Europe and Ukraine. He creates effective teams, organizes marketing processes and generally thinks outside the box. He has worked in such companies as Socrates Asset Management and Grain Star International. He has created Inteksbrok, a licensed brokerage and a pioneer in Internet trading on the Ukrainian stock market.

## **Gennady Sorokopud** – CTO

Experienced developer and entrepreneur with over 25 years of experience in investments, financial technology, system architecture and startups. He advised several VC, hedge and option funds, founded and led several startups to an exit, and managed fintech companies. His expertise lies in the field of algorithmic trading, financial derivatives, volatility trading, options and futures, technological research, product management, multi-languages programming and system design. He is a co-author of a book “New Investment Culture Or Structured Products”. He has filed 5 patents in wireless communication and in traffic processing and optimization.

## **Viktor Arthyuhov** – Lead Developer

Yulia has a broad range of experience managing legal teams and projects in investments, telecommunication, heavy industry and pharmaceuticals, including corporations listed on NASDAQ, Hong Kong Stock Exchange and Moscow Stock Exchange. She has built risk management and compliance systems related to corporate and antimonopoly law, financial monitoring and anti-money laundering, contract law and stock exchange regulations. She knows how to combine effective solution of business needs with consistent implementation of compliance with legal restrictions and risk management.



**Ekaterina “Catherine” Yushina – COO**

Catherine’s professional experience includes working in Venture Capital in Silicon Valley, organizing and running a global VC conference and a startup competition, advising startups and accelerators, being a co-founder of a fintech startup under the Regulation Crowdfunding. That gives her a unique perspective on building companies in an evolving and regulated environment and in identifying business opportunities. A strategic thinker with skills that include team management and business development, she leads public and customer relations.

**Yulia Yanakevich – CLO**

Yulia has a broad range of experience managing legal teams and projects in investments, telecommunication, heavy industry and pharmaceuticals, including corporations listed on NASDAQ, Hong Kong Stock Exchange and Moscow Stock Exchange. She has built risk management and compliance systems related to corporate and antimonopoly law, financial monitoring and anti-money laundering, contract law and stock exchange regulations. She knows how to combine effective solution of business needs with consistent implementation of compliance with legal restrictions and risk management.

**Sebastian Smakosz – SMM**

Sebastian is an ambitious and driven digital marketing specialist with experience in startup and blockchain industries, striving to integrate his knowledge in marketing and social media. His entrepreneurial mindset is backed by years of self-determination and accomplishments in a digital marketing industry with proven results. His professional experience includes developing a digital marketing startup, as well as being a digital marketing specialist. His approach is combining traditional digital marketing efforts with a focus on social media to create and implement effective strategies. His ability to efficiently perform tasks without compromising on quality allows him to thrive in a marketing setting.

**Andrew Taranov – Lead Trader**

Andrew has over 20 years of experience working in financial, investment and banking industries. His skillset includes trading, knowledge of international markets, development of unique trading systems and algorithms, analysis of software products and blockchain technologies. His in-depth knowledge gives the opportunity to gain a clear understanding of the mechanism of operation and interaction of the various software platforms in the financial markets. He is focused on constantly developing his skills and building software products, gaining unique experiences that allow him to understand new software technologies and systems, including blockchain.



# Advisors

## **Julian Zegelman – Legal Advisor**

Julian is an experienced corporate attorney, serial entrepreneur and angel investor. He is a Managing Partner at Velton Zegelman PC, a boutique corporate and securities law firm with offices in San Francisco (CA), Sunnyvale (CA), and Moscow (Russia). Julian's practice focuses on corporate law, securities, venture capital, and the emerging field of cryptocurrency law. Julian is also a Founding Partner at TMT Blockchain Fund, a \$60M blockchain focused VC fund and a Partner at Jaguar Capital Advisors, a blockchain business advisory firm.

## **Sergey Yushin – Corporate Finance Advisor**

Sergey Yushin is a serial entrepreneur, problem solver, and thought leader. He is a finance and corporate expert with experience in investments, Economics and Finance, working for JSC RusHydro, JSC ALROSA Investment Group, JSC SobinBank, JSC VneshTorgBank and BCEN-EUROBANK Group. He started many successful businesses in different industries, ranging from restaurants to airplane engineering.

## **Vakhtang Maskhulia – Media Adviser**

Vakhtang Maskhulia is a former Presidential spokesman in Georgia, and a successful TV journalist and sociologist. He is an accomplished public speaker and an influencer in the field of international relations. A visionary and a connoisseur.

## **George Paliani – International Development Adviser**

George Paliani is our key representative on the international scene. He has excellent negotiation skills and extensive experience working with Government and Industry. George speaks six European languages and is working toward a Ph.D. in History, specializing in Scandinavian politics.



# Partners

## NEM Foundation

NEM is the world's first Smart Asset blockchain. Zeus Exchange is a [Development Partner Company](#) of NEM Foundation.

## Cryptonomics Capital

[Cryptonomics Capital](#) is launching Crypto Quant Fund, focused on automated algorithmic trading of crypto currencies and tokens.

## Membrana

[Membrana](#) is the first trust management platform built fully on blockchain technology.

## Smart Valley

[Smart Valley](#) aims to eliminate fraud from the crypto industry, reinstate trust in ICOs, and create a decentralized global community of leading professionals. Smart Valley platform offers a reliable project evaluation system for modern startups.

## Ingvarr Advisory & Trust

[Ingvarr](#)'s team of advisory consultants are recognized experts in Corporate Governance, Mergers & Acquisitions and Finance.

## Jetstyle

[JetStyle](#) digital agency helps companies re-imagine how they interact with their customers and manage their businesses in digital sphere since 2004.

## ATAS

[ATAS](#) is a professional trading and analytical platform designed for order flow analysis, for traditional equity exchanges and cryptocurrency exchanges.

## Cointoss

[Cointoss](#) is an IT company from Seoul, specializing in development on blockchain, working with South Korea regulator and gathering the Asian crypto community.



# Governance

Outlined below is a brief description of the governing bodies of Zeus Exchange.

## Board of directors

- Monitor overall risk and general best practices;
- approve strategic business decisions;
- establish and monitor an effective risk management and compliance function; and
- meet the internal audit requirements.

## Risk committee

- Evaluate and assess impacts of regulatory changes on the risk potential and risk exposure of Zeus Exchange, assess activities to comply with legal and other requirements;
- assess the Zeus Exchange risk management framework and provide relevant solutions to the board of directors; and
- assess Zeus Exchange capital and liquidity planning and report to the board of directors.

## Audit committee

- Monitor and assess financial reporting and internal control adequacy and report to the board of directors;
- monitor and assess results and effectiveness of regulatory external audit firm; and
- assess regulatory audit plan and audit results.

## Ethics committee

- Build the Zeus Exchange business based on the principles of integrity, transparency and the rule of law;
- maintain the code of conduct of the company; and
- promote and support market efforts in establishing a transparent, legal and trusted environment.





## Contacts

We would be happy to answer any questions:



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