

AMA Session #3

A:

I know you are familiar with The Blockchain Brokerage.
Have you guys read the whitepaper and other docs?

Q:

I've skimmed a few of the white papers.
But I will be honest I didn't get a chance to read them all yet, at least not thoroughly.

A:

No worries, there are a lot of docs out we put out there.

Q:

I did some rough reading as well. Watched the second AMA halfway
I do have specific questions in regards to the equity and share appreciation rights...

A:

Sure! We may begin with them.

Q:

Did not see much detail in this area, or missed it... Please explain how this would work... Will this be in a form of scheduled dividends?

A:

There are triggering events which would set off dividends payments to the holders
For the Pre-ICO we are offering up 5% equity in TBB in exchange for funds to set up the company structure most efficiently and compliant (or on the way to being completely compliant)
Capital increase in one of those triggering events. So if TBB's capital will increase, we will pay shareholders a dividend, and pay SAR holders a dividend as well
The total offered SAR is to 5% of the stock, as Chris said.

Q:

And what would be the fundamental different between SAR holders and TBB shareholders? Should I think of it as a different type of stock class, like preferred stock?

A:

SAR is not a security. Do you know those "coupons" which firms give their higher-ranking employees?

Q:

And they are options for the stock to buy or sell at a particular price ... but it's not the same as options (as far as I know) that trade on those markets

A:

Yes, stock options is a way to do that, SAR is another.
We cannot offer such options because of some regulatory hurdles.

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Q:

Ok, so it's just some type of preferred option for early investors

But not really

Because of the stupid SEC

+1

A:

We may say that it's a kind of option, yeah

Q:

(And other regulatory bodies)

A:

Practically, they are almost identical to real shares

With no voting rights

But their sale and transfer is not restricted

Q:

So I'm buying software tokens that will be tradeable for other software tokens that will essentially have all the stuff encoded into the software rules of the consensus for the blockchain you are developing as far as 'dividend payment'

A:

No-one has tried to launder money via such stock appreciation rights, so maybe that's why it's not yet regulated.

Q:

Ok, that's fine

A:

The token part... yes... Those are blockchain entities.

But the dividend payment is not automated

Q:

So during pre-ICO, two things are being sold, TBBSAR and TBB Tokens?

A:

TBB will pay it manually

Only TBBSAR

TBB Tokens will be offered in the ICO

A: TBB Tokens won't give any equity interest in the company, though

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Q:

Ok, so the pre ICO is multi-phase... One for TBBSAR and right after TBB tokens and followed by official chain tokens next year?

A:

Funding is multi-phase
Pre-ICO is the first phase, where TBB offers TBBSAR (edited)

Q:

Got it... yes

A:

ICO is the second phase, where TBB sells TBB Tokens

Q:

Wonderful, got it

A:

VII Planned Roadmap

Mid-January, 2017: ICO campaign starts.

February 1 - March 2, 2017: ICO.

March, 2017: Initial employee team formations, blockchain development.

April, 2017: Company formations, license applications.

May, 2017: Launch of the blockchain with main features, excluding special transactions.

June, 2017: Prototype of securities trading with offshore license.

July, 2017: Decentralized insurance network to secure accounts.

August, 2017: Fiat transfers, payments and exchanges on blockchain.

October, 2017: Trading securities with blockchain entities starts.

That is from the Whitepaper and the Roadmap for after the Pre-ICO TBBSAR offerings

Q:

Too bad dividends are not an autonomous function of the chain. Would love to see someone do this

A:

TBB Token holders will be rewarded immediately and automatically

But TBBSAR is a legal contract, digitally signed.

The payments have to be made upon calculation by accountants and approval by Treasury and such.

Q:

What are TBB token holders rewarded with?

A:

Oh, that's the fun part!

There will be two types of transactions allowed in the TBB Blockchain

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Regular transactions and special transactions

Regular transactions relate to the all transactions that are recorded on chain. TBB will have a non-permissioned public blockchain where everyone can issue assets, make transfers, etc. And all that stuff will require some fee. That's the part we are accustomed to.

In addition to that type of transactions, TBB Blockchain will also have financial securities trading, legal as hell, and recorded on chain as well.

That special type of transactions will require an additional fee. And that fee is payable to TBB token holders, in case they're registered with TBB Brokerage.

That figure explains it well.

Q:

What's a special fee account?

A:

Since you are earning some money through holding TBB Tokens that means some regulatory compliance stuff must be there.

So, if you register an account with TBB Brokerage, you are basically making investments through the brokerage.

Then, you may turn your TBB Brokerage account into a Special Fee Account

In that case, your TBB Token holdings will become a type of investment, and you will be eligible to get special Tx fees.

Q:

So the fees collected through special transactions are automatically sent to TBB holders? No need to be a DPoS delegate or such?

It's disparate proof of stake -- maybe you could clarify that?

A:

No need to be a delegate, not even to run a node.

That's actually the basis of D-POS.

With D-POS, which is not DPOS, the reward taking and block validating functions are differentiated.

In traditional blockchains, the miner who validates the block gets the block reward.

In TBB's D-POS, it is not like that.

Q:

And only miners are validating? Or is there multiple validators?

A:

Regular transactions are validated by "forgers", just as we have in NXT.

Special transactions, too, are validated by those forgers, and included in the next block. BUT

Special transactions require one more signature

The signature of Special Audit Nodes

Q:

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Who runs the Audit nodes?

A:

Special Audit Nodes are operated by TBB itself (or partner licensed companies)
They don't get any fee from their operations

Q:

I see... Do those Audit nodes generate rewards?

A:

They are there just to maintain the security of the blockchain

Q:

You are one step ahead of my questions... Stop it

A:

Since the security is of the best interest of TBB already, there is no need for a reward

Q: [5:44 PM]

So, to become a forger... (Not audit) all one would need is balance in their account... And not be a selected delegate?

A:

Yes.

Everyone with a balance is a forger

Just like NXT

(Well, we may also put a button like "turn on forging", which is trivial)

Q:

What's the biggest legal hurdle, compliance or license requirement you guys have to have.. in another words, what's your biggest legal roadblock?

A:

There are a couple of hinges in achieving this, and we are taking care of all of them quite well

Our organizational structure is modular

So, a company will be responsible for just brokerage business, it will have the brokerage license, it won't do anything else other than that which is defined on law as brokerage.

The brokerage firm won't touch any crypto as crypto.

Likewise, the remittance business will solely be responsible for moving money.

Q:

And will you have another company for issuing securities on tbb?

Or verifying regulatory requirements for doing so

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A:

Issuing securities on TBB, yes for sure, that's the job for the Crowdfunding Subsidiary
Then, those securities will be made available for trading by TBB Brokerage

Q:

Say I have a company and go through all the hoops with the sec to issue securities, i can choose to issue my securities (hopefully) anywhere, so i choose tbb ... but, i guess, will you offer services or the capacity for anyone to do that themselves?

Q:

There are plenty who can crowdfund or have a good idea
But can't pay the legal costs to issue securities a priori
Ok, so the crowdfunding subsidiary will be able to issue securities

A:

SEC is the next step in our roadmap, so let's leave offering securities to US investors for a later talk
But let's reconstruct your example in EU

Q:

Are there pre requisites prior to listing a crypto asset...? Are any of them vetted by TBB...?

A:

Crypto-asset, no.
Securities, yes.
This is the best part of TBB
TBB maintains legal side while at the same offers a completely free blockchain
We have NDAs in place so cannot go into too much detail but our services and partnerships will allow us heavy screening on those who wish to do so (edited)
That is a solved problem.
There are companies which offer such services... They take your idea, get you funded, and then issue securities.

Q:

Sure, but these services cost. I'm wondering if this is a business function of a subsidiary or sister company of TBB.

A:

TBB's difference would be to make those securities tradable.
It will cost something like \$5k to the fundraiser.

Q:

And then that will allow the organizer to issue a security?
On tbb
Let's put it in this way
TBB Crowdfunding Subsidiary will give consultancy service for the Fundraiser to "securitize" their business.

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And the fee for this is \$5k?

A:

After the Fundraiser issues securities and distributes them to the Investors who crowdfunded the idea, it will be up to the Fundraiser to list the securities on TBB Blockchain.

The Fundraiser may as well want to keep the shares in the paper form.

OR they may want to go through the procedures to get the shares listed via TBB Brokerage

Fee for securitization itself is \$5k, and that is not the fee that TBB takes.

It is the government fees and such...

TBB's revenue model is not yet disclosed on this. Let me have the right to speculate on this: TBB may want some share in the equity, or it may require to get a percentage of the funds raised.

Q:

And that will be the TBB's cost for helping to securitize?

A:

Yes, as far as my memory tells me, it is around \$5k

There are company formation agents who just serialize such procedures, and they are working as company factories.

We are in correspondence with a few of them, and are trying to reduce the costs associated with securitizing ideas.

Q:

You can't let loose who in the industry you are in correspondence with, I take it?

A:

Our ultimate goal is to reduce friction in the financial hemisphere and make higher end financial instruments more easily accessible to all.

Q:

Oh, the question is, which companies are you talking to about streamlining the process --- if you can reveal them

A:

We can't reveal the partner(s) yet

It is a principle of TBB: we don't announce any partnerships which are in the making.

Q:

Figured as much, just thought I'd ask

A:

And we don't announce some of the partnerships because of NDAs.

Normally doesn't hurt to ask

We are adamantly trying to be better than the examples we see around us

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Q:

Would we be able to obtain that kind of information if we ended up buying \$TBB SAR's or is that breaking the NDA?

A:

Unfortunately no

Q:

For sure, I'm just trying to get a handle on the various business models that is being presented, who are all the players, regulatory bodies, how kindergarten everyone is going to be, etc.

A:

It's not hard to get partnered up with those companies and sign specialized deals. It's all about money, and structuring your business well.

Q:

Understood

A:

Since they are already seeking partners
Being a Tier 2 partner of Goldman Sachs costs just \$50k
The information we have is that we know how to utilize that \$50k to be that partner.

Q:

Let's say I am an average Joe trying to create an asset on TBB.. I launch my wallet, click on asset, click on create and asset, put in specifications, pay fee and have asset tokens ready for distribution or is there more to this?.. This is for assets not requiring secularization..

A: [6:11 PM]

That will require no additional procedure than clicking buttons
And having an Internet connection

Q: [6:11 PM]

Yes, that is a must, or tether
So you will allow asset creation of digital tokens even without securitization?

A:

Yes for sure!

Q:

Good

A:

Just like Waves or NXT or Bitshares or Counterparty

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Q:

wunderbar

A:

AND if you like, you may go through the procedures for securitization

Q:

That's a great service to offer

Ok... let's say someone creates an asset and wants it secularized... I assume at this point he has to establish a communication with TBB team?

A:

Since the Broker part of the business won't touch anything related to the free part of the blockchain, it won't cause any regulatory hurdles

Yes.

The problem is, isn't it a bit too complex for the average Jane to understand?

After we get everything in place, the use of the platform will be easy

But explaining how it works is pain in the ass, without actualizing

Q:

Of course

A:

Very easily navigated platform, intuitive

Q:

Intuitive is always good

A:

But Jian is right. The SCOPE of the project is hard to convey in a succinct manner

This is why we would like to have a platform demo before actually doing it

It will just be a visual demonstration of how everything will work

No actual tokens, no actual back-end...

I hope TBB manages to come up with such a demo before the ICO

Q:

Are you developing your own independent codebase?

Q:

You guys have a POC of the platform?

A:

We are working with a technology provider, which has their own independent codebase

We cannot reveal their name at the moment

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Q:

Sure

A:

They have the platform ready in its basic form... Ready to be configured according to our needs
I saw that it's working with my eyes
But the situation is like, no cash no platform

Q:

Money talks

Do you know what the block time will be?

A:

1 minute for regular transactions

Q:

Will only trades be recorded on-chain or will it be all Tx's?

A:

Milliseconds for special Tx

Q:

Meaning, I guess, orders sitting on the books

A:

All transactions will have a record on blockchain
Trades, transfers, issuances of any kind
Special transactions will additionally have a different record

Q:

Sure, I meant, you can have people spam a network by putting orders on and off a book

A:

Kept by NASDAQ and other exchanges

Q:

And just was wondering if those are going to be on the blockchain as well
Or if it will have its own separate memory management scheme for anything that's just on the order books

A:

On-chain and off chain transactions will all require fee, so spamming is not an issue

Q:

Fastest blockchain I have seen is Bitshares with 3 sec... Will be impressive to see you guys do it faster without causing forking issues especially on a non-delegated chain

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A:

We will happily welcome all kinds of spam
Well, blocks will be 1 minute

Q:

Well, it's not just spam, there's bloat, too associated to spurious ghost orders that are moved on and off

A:

But the special transactions will be executed prior to their inclusion in a block
Our technology provider is the one which coded the financial engine of many large banks and financial institutions. They have a developer team consisting of 200 people. 2 million lines of code have already been written.
And they are quite confident about the scalability of the platform, hence are we.

Q:

So it will be a hybrid environment, with centralized audit nodes for the exchange + TBB chain as decentralized ledger

A:

Well said!

Q:

Good ways of explaining things is hard to do

A:

VERY much so

Q:

So the centralized audit nodes will be block signers that are not rewarded because they are partner institutions with TBB

A:

This is the essence of D-POS

Q:

And forgers/stakers are rewarded for having a positive balance in their account
So they don't need to run a full node

A:

There are two fees.

Fees are payable to full nodes which validate transactions
Special Tx fees are just as you said.

Q:

is there a fee associated to changing your tbb account to a SFA?

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A:

I don't think that's necessary.

Q:

A fee for converting

It was a question from earlier i didn't ask as there were a slew

But you said that you'd be able to change your regular tbb brokerage account to an SFA account

A:

SFA is a brokerage account opened with TBB

Maybe there will not even be the need for changing the account type

We are trying to get everything as easy as possible from the end user's perspective

Q:

I thought there were two account types

As per the picture from before

A:

Turning the brokerage account into an SFA is written there just in case there needs to be some additional contract

Q:

Aww, ok

And brokerage accounts get the regular Tx fees and the SFA's get the special Tx fees?

A:

Brokerage accounts with a TBB Token balance will get special Tx fees.

Forgers/stakers with full node will get regular Tx fees.

If you have both, you will get both

Q: [6:34 PM]

Ah ha. Perfect. That was the next Q.

Ok, and I'm just checking the \$TBBSAR sale agreement -- 20% minimum to be raised.

So the sale of 1k of the 5k TBBSAR in total?

A:

You mean the Failure Clause?

Q:

Yes

A:

This is pre-ICO, and the second round will be the ICO.

In the ICO, let's say we want to raise \$6mm with a minimum goal of \$1mm.

ICO being quarter 1 of 2017

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If we cannot raise that \$1mm, we will refund the 20% of your pre-ICO investment.

Q:

Ok. So there is a failure clause for the Pre-ICO, meaning that in the case the ICO doesn't fully raise enough capital, then failure clause of Pre-ICO kicks in
Got it

A:

If that min. is not met then the F. Clause kicks in

Q:

And what is the minimum?

A:

We are still deciding it

Q:

Ok, do you have an estimate?
I would guess you would disclose this prior to the Pre-ICO?

A

\$1mm
Yes that is our thought as of now.
This is dependent on how the pre-ICO goes as well
It may go down a bit

Q:

Sure.

A:

There are very different organizational structures to achieve this goal.
And we aim at the best, with a UK holding company and subsidiaries to get licensed in EU

Q:

And in the event that all the TBBSAR are not fully sold initially but that funding of ICO does complete --
what are you doing with the excess TBBSAR?

A:

But as for the minimum goal, we need to focus on what is essential to this enterprise
The un-sold TBBSAR will be deemed not issued.
Also, some additional TBBSAR may be spared for some bounty programs
The un-sold TBBSAR could be issued as bonuses for those who help with spreading the word
This was a pretty good talk, by the way
Educational for us as well
Yes, fantastic
You guys asked GREAT questions

This session took place on December 13, 2016 in Cryptocopia Slack in a private channel.
The questioners wished to have their handles removed.

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Q:

Yes... Interesting convo...
So this was the 3rd AMA?

A:

Basically yes

Q:

Yeah, sorry we couldn't join the others fully... Time is a rare commodity

A:

Yes.
Very business oriented team with diverse backgrounds
And it sounds like you gents are the same.

Q:

I'd say that's accurate