



# Connecting Crypto Business with DEX

Whitepaper1.0

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# Overview

The word cryptocurrency has become widely recognized all over the world, and two years has passed since the global cryptocurrency craze in 2017. During these two years, there have been a lot of new projects started and companies all over the world are proactively applying blockchain technology and cryptocurrency (tokens) to their actual business.

Although there is still a shortage of examples of real-world innovation as a result of these initiatives, there have been technical advances in blockchain and ancillary sidechain and overlayer technologies such as Bitcoin Core, and both these advances and the security improvement proven by the number of transactions are on a scope which cannot be ignored. In these past few years, the gap between cryptocurrency and the economy of the real world is gradually closing.

However, the costs involved for current players to issue, manage, and maintain tokens for real-world business applications and ecosystem development in the kind of business environment generally used by start-ups are extremely high, and as a result, companies are unable to leverage the strong points of cryptocurrencies, and the current exchanges (CEX) for investment in products are plagued by fatal weakness such as hacking risks.

Also, the majority of these token start-up projects either seem suspicious and fraudulent, and the current platforms fail to provide a base for individual investors to find promising projects to back.

Without resolving these problems, it will be difficult for cryptocurrencies to provide stable value and services to society. This in turn will prevent cryptocurrencies from breaking out of the speculative commodity category in which they are currently grouped due to their instability.

In order to provide an explicit solution to these structural problems, Raizer.cc was founded as a decentralized exchange, and the product has been released recently.

This paper provides the details of the solution Raizer.cc is providing with use cases for explanation.

# What is Raizer.cc?

Raizer.cc is a decentralized exchange (DEX) for Counterparty token transactions running on the Bitcoin blockchain, and is the only Counterparty DEX platform on which BTC can be used.

After the product was released to a portion of Counterparty users in August 2018, updates have been continually implemented based on feedback received. For more details on the main functions, see the "Solutions Provided by Raizer.cc" section below.

## RAIZER Tokens

RAIZER tokens are the cornerstone tokens that make up the Raizer.cc ecosystem. All of the handling fees collected by Raizer.cc will be distributed to the RAIZER token holders. Due to the properties of Counterparty tokens, all of the available tokens have been issued, and there is no mining concept.

### Token Possession Ratio

- Operation and development team: 60%
- Partnership marketing and various incentives: 30%
- Cloud sale: 10%

The 60% share of tokens possessed by the operation and development team is used for the collection of handling fees.

### Lottery of Withdrawal Fees

100% of the handling fees collected for RAIZER.BTC (described below) to BTC exchanges will be distributed to holders of RAIZER tokens using a lottery system. The profits for the operation and development team will also be limited to the fees distributed to them as RAIZER token holders.

## **Endorsement (Listing Recommendation Rights)**

For endorsements, RAIZER token holders have recommendation rights for each RAIZER token held.

For example, a user holding one million RAIZER tokens can endorse currency A one million times. As long as the total number of endorsements is one million or less, other configurations such as 500,000 for A and 500,000 for B are also possible.

All currencies maintaining five million or more endorsements from token holders can be exchanged for BTC through Raizer.cc.

If token holders remove their endorsements or sell their RAIZER tokens and this causes the number of endorsements for a currency to drop below five million, the applicable currency will be automatically removed from the listings on Raizer.cc. For this reason, currencies must be recognized as valuable to remain listed on Raizer.cc. Alternatively, individual users need to maintain holdings of five million RAIZER tokens to ensure the currency they want remains listed.

## **Reduction of Fees**

Conversion fees for BTC from RAIZER.BTC can be reduced by up to 80% for users who maintain a certain fixed holding of RAIZER tokens.

## **Air Drop Rights**

For future functions, the tokens granting the applicable rights for these functions will generally be generated as sub-tokens of RAIZER.

As an example, when using the air-drop method based on holdings, rights tokens acquisition will correspond to RAIZER token holdings.

Example:

RAIZER.A tokens issued at a ratio of 50% for RAIZER token holders using the air-drop method

Holdings: One million RAIZER = 500,000 RAIZER.A air-drop

Holdings: 50,000 RAIZER = 25,000 RAIZER.A air-drop

These tokens will also be tradable on DEX.

It is an incentive to increase profits by keeping RAIZER tokens

# RAIZER.BTC

RAIZER.BTC is a collateral type stable coin pegged 1:1 to the value of BTC. When conducting BTC trades on Raizer.cc, users must first convert their BTC to RAIZER.BTC tokens, resolving the problem of inability to use BTC on a Counterparty DEX resulting from the specifications of Bitcoin Core. The conversion can be completed easily using the website's UI. When converting BTC to RAIZER.BTC, users deposit their BTC as collateral and are simultaneously issued an equivalent value of RAIZER.BTC to the amount of BTC deposited in the cold wallet (No conversion fee will be taken). When converting RAIZER.BTC to BTC, the process is the above in reverse, and conversion fees will apply as described previously.

## Decentralized Exchange

### What is a decentralized exchange?

Before learning about decentralized exchanges (DEX), you must first understand centralized exchanges (CEX), the current mainstream in cryptocurrency markets. CEX are cryptocurrency exchanges modeled on traditional securities exchanges, and they require users to temporarily store their assets for handling by the operators. The transactions are also handled by the operators' servers and do not use blockchain. Blockchain is only used for the deposit and withdrawal of large sums of money.

In comparison, DEX refers to exchanges which do not require user asset handling by operators, allowing individual users to each manage their own assets, and in which all transactions are carried out on the blockchain so there is always a record.

### Structural Problems with Current Exchange Models

The current mainstream for cryptocurrency transactions, the CEX model, has a structural security fault.

This fault is that user assets must be stored on the operators' servers. People all over the world can easily pinpoint all or a portion of the operators' addresses and easily figure out how much cryptocurrency is currently stored there. Attackers are constantly viewing these balances and comparing them with the cost to launch an attack as they plan their next move. In many cases, hacking

the secret key for just a single wallet enables hackers to snatch up the majority of customers' assets. As a result, the cost for launching these attacks is very low. Also, the damages from these incidents are not restricted to CEX users alone. If an altcoin listed on a CEX is stolen in a cyber-attack, the stolen coins are usually sold in the market, destroying the ecosystem built up by the applicable altcoin. As a result, the operators of various altcoins are at risk due to a factor outside of their control: CEX hacking. Not only that, with this model, the more investment goes into a cryptocurrency, the greater the risk of attack.

Since the DEX model allows individual users to manage their own assets, hacking is unlikely to affect the assets of more than one user at a time. Since it still costs attackers the same amount of money to steal the secret key for a wallet, the costs no longer make hacking worthwhile.

### **Why haven't decentralized exchanges caught on with users?**

Although DEX is said to be an essential change for safe asset management and achieving a genuine token economy, there are still few users of DEX services.

There are various reasons such as poor interface design and inconvenient operations which can explain this,

but one of the fundamental reasons for the poor adoption rate is that there is no incentive for operators and developers to expand DEX services. Since DEX systems carry out their transactions through blockchain, handling fees cannot be applied for every transaction. In other words, the same revenue model as CEX services cannot be used. As a result, operators of standard DEX services has no motivation to proactively conduct marketing and implement user interface improvements.

# Start-Ups with Tokens

## Distinctive Features of ERC Tokens and CP Tokens

With tokens providing the right to receive profits from a certain business or linked to other services with shared standards for point usage, tokens resolve the problems with business and have the potential to open up new possibilities. Two of the major altcoins which provide a token issuing platform and also are used for large numbers of blockchain transactions as well are Ethereum and Counterparty.

The ERC tokens issued through Ethereum have full programs written into the blockchain itself, and as a result at least one engineer is required for system operations, which makes running costs high. However, the platform is well-suited to decentralized models and has a great deal of expandability. It can be used for operating services and development solely within a blockchain.

On the other hand, although the tokens issued through Counterparty are not suitable for operating chain service, tokens can be immediately issued for less than \$1, and no programming knowledge is required. Since these tokens operate within the Bitcoin blockchain, they provide strong security, and their compatibility with the Bitcoin Core update is also a major feature. Since costs are low for everything from issuing tokens to managing them and no programming knowledge is required, these tokens are extremely well-suited to use for services which don't require decentralization.

## Current Issues

A large number of new tokens came into existence in 2018, and the total investment in ICOs was a staggering \$7,852,477,043. Not only that, the majority of these funds were raised using ERC tokens.

Of course, not all of these tokens were created for the purpose of decentralization. This simply shows that platform isolation has not been achieved.



There is a reason for this. On the DEX services where Counterparty tokens can be issued and used for transactions right away, BTC cannot be used for transactions, and the only alternative is XCP, an altcoin which has significantly less liquidity.

In other words, in order to ensure liquidity after creating a token (by enabling BTC trades), creators must pay to list their tokens on CEX systems, and as a result they are unable to make the most of the quick start-up suitability that was cryptocurrency's strong advantage.

# Solutions Provided by Raizer.cc

## **Making BTC Transactions on DEX Systems Possible**

As mentioned earlier in the RAIZER.BTC section, Raizer.cc has successfully achieved BTC-based transactions on a Counterparty DEX system. By receiving endorsements (listing recommendations), promising tokens can be used for BTC-based trades on Raizer.cc immediately after they come into being.

## **Added Value for DEX Development Incentives**

Due to the system for distributing handling fees for conversion of RAIZER.BTC to BTC to RAIZER token holders, listing the most promising token types on Raizer.cc and increasing the transaction volume are of direct benefit by maximizing revenue for the users. As a result, the site will invite users to do business with new tokens and improve Raizer.cc's usability, ensuring the site stays up to date with the latest next-generation technological innovations. This will provide powerful motivation for increasing the value of Raizer.cc.

## **Preventing Scam Projects**

Although the creation of a large number of tokens on Raizer.cc is a delightful thing, it also increases the risk of scam tokens getting mixed in with legitimate ones.

Raizer.cc will resolve this problem by using the endorsement framework to make sure that only token evaluated highly by investors are available for use with BTC-based transactions on the DEX system.

Handling scam tokens will cause Raizer.cc's value to drop from the perspective of investors, and this is also a demerit for RAIZER token holders making endorsements.

# Use Cases

## **Service Unit Investment and Investment Targets**

Investment in existing companies is normally done through the purchase of stock.

However, in the case of companies which are already conducting a multitude of services, it's rare for an investor to want to invest in all of them. In addition, if the applicable company is overseas, this makes it much more difficult for potential investors to invest.

If companies issue separate tokens for each of their services or issue tokens as part of an experimental trial and error process, the needs of the companies and the individual investors will match.

## **Entrepreneur Support for Rapid Start-Ups**

For corporate start-ups that don't want to list their stock, receiving funding from venture capital or angel investors can sometimes cause problems.

The cause for this is the varying perspectives of entrepreneurs seeking to achieve their vision and investors seeking a return through an IPO.

By using tokens for funding, investors can buy and sell tokens on an open market even without an IPO, and entrepreneurs retain control and can keep moving forward toward their vision.

Also, individual investors who don't possess the requisite skills for investing in unlisted stocks can easily invest in promising start-up companies.

# Future Directions for Raizer.cc

The goal of Raizer.cc is to use blockchain and cryptocurrencies to create a world in which interesting start-ups can thrive and investors can easily provide funding.

Entrepreneurs can launch start-ups at a low cost based on their own vision. In this way, repeated trial and error is also a possibility.

The endorsements system run by RAIZER token holders ensure the marketplace features only the best tokens, enabling them to maximize their own personal profit.

For individual investors, RAIZER provides a platform for early stage investment and support of high-quality companies selected by the RAIZER token holders. In the near future, Layer2 blockchain technology will resolve the DEX system problems of soaring transaction fees and time lag for orders to be applied, and Raizer.cc will be able to provide a user experience basically equivalent to the current CEX model services.

Although Counterparty is currently considered the ideal platform for this service, as the project progresses, there are considerations underway for various options while maintaining the core Raizer.cc product.

We are aiming for a future where Raizer.cc is the ideal environment for all the players involved in start-ups and investment.

## Risk

RAIZER tokens are subject to price fluctuations. Attention that there may be disadvantages due to price fluctuations at holding or trading.