

Consultation Paper: Crypto.com Chain Staking Mechanisms

Phase One

December 5, 2018

About this Consultation Paper

1. This consultation paper is issued to seek the views of members of the community, the blockchain industry and other stakeholders on the proposed staking mechanisms for Crypto.com Chain.
2. This consultation paper consists of 4 sections and 1 summary table, focusing the discussion on key staking parameters proposed for Crypto.com Chain participants under the review.
3. This is the Phase One of the consultation regarding staking mechanisms, subsequent consultations may be required to finalize a recommendation.
4. Please send your comments on issues covered in this consultation paper (cf. Need for review sub-sections) on or before 7th January 2019 by one of the following means:
 - Discord: www.discord.gg/B6cZahJ
 - Telegram: www.t.me/CryptoComOfficial
 - Email: chain@crypto.com

All proposals for consideration will need to be prefixed with [CCCPSM01].

Disclaimer

This document is a working document of Crypto.com for consultation on the subject matter and does not prejudge any future decision to be taken by Crypto.com. The views reflected on and the results of this consultation paper provide only an indication and guidance on the approach Crypto.com may take on the subject matter and Crypto.com is not obliged to implement such results.

This consultation paper does not constitute an advice or offer to purchase any CRO Tokens, nor should it be relied upon in connection with any purchasing decision.

This consultation paper contains certain statements that are forward-looking, by their nature, subject to significant risks and uncertainties. Forward-looking statements involve estimates and assumptions and are subject to risks, uncertainties and other factors beyond our control and prediction. These factors could cause actual results or outcomes that differ materially from those expressed in the forward-looking statements. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

1. Council Nodes

Background

Council Nodes perform critical validation and settlement functions in the Crypto.com Chain, including ordering transactions, executing transaction settlement, and rewarding CRO to network participants.

We expect the Crypto.com Chain to reach the following number of Council Nodes:

- Within 5 years: 500
- Within 10 years: 1,000

To optimize performance of the Crypto.com Chain, a smaller set of Council Nodes may be selected randomly to operate on the network during each epoch.

Council Nodes will be rewarded for their services on a *per transaction processed* basis to ensure there is no prioritization and validation bias towards higher value transaction.

Need for review

We are proposing to require Council Nodes to continuously stake 50,000,000 CRO to perform their role in the network. Participants will have the ability to create staking pools in order to reach the required amount for staking.

We are proposing that Council Nodes be rewarded 20% of the total pool allocated for rewards¹.

2. Acquirer Nodes

Background

Acquirer Nodes are instrumental in connecting merchants and customers on the Crypto.com Chain, in particular they are responsible for authorizing transactions and settling on behalf of others.

¹ Total pool allocated for rewards is composed of the following key components: a) Secondary Distribution and Launch Incentives Pool (from 10-50%), distribution across 5 years; b) Network Long-term Incentives Pool (100%), distribution to start after the Secondary Distribution and Launch Incentives Pool is depleted, 1/20th of the pool the first year and decreasing after that; c) Settlement Agent Levy (100%)

We expect the Crypto.com Chain to reach the following number of:

- Within 5 years:
 - Number of Merchants: 5,000,000
 - Merchant Acquirer Nodes: 200
 - Number of Customers: 25,000,000
 - Customer Acquirer Nodes: 500
 - Customer Yearly Spend: 1,000 USD

- Within 10 years:
 - Number of Merchants: 10,000,000
 - Merchant Acquirer Nodes: 500
 - Number of Customers: 100,000,000
 - Customer Acquirer Nodes: 1,000
 - Customer Yearly Spend: 2,000 USD

Acquirer Nodes will be rewarded for their services on a *per transaction amount processed* basis to foster high volume of transactions in the network.

Customer Acquirer Nodes will control the exchange rate between the crypto chosen by their customer for payment and the CRO to be sent over the Crypto.com Chain network. This will create a meaningful additional revenue stream for Customer Acquirer Nodes.

Customers choosing to pay with CRO directly will transact with minimal fees.

Merchant Acquirer Nodes will be required to have a 90-day rolling reserve² to help cover potential financial risk, such as payment reversals you may receive like claims. The rolling reserve will be kept in CRO but fully hedged to remove any price volatility risk for the merchant.

Need for review

We are proposing to require Acquirer Nodes to continuously stake the following to perform their role in the network:

- Merchant Acquirer Nodes: 5,000 CRO per merchant supported
- Customer Acquirer Nodes: 5,000,000 CRO

We are proposing that Acquirer Nodes be rewarded 80% of the total pool allocated for rewards, split:

- 60% for Customer Acquirer Nodes
- 20% for Merchant Acquirer Nodes

² A rolling reserve is a reserve where the Crypto.com Chain network holds a percentage of each transaction a merchant receives each day, and then release it later on a scheduled basis

We are proposing that Merchant Acquirer Nodes rolling reserve will be set at 10%.

3. Community Nodes

Background

Crypto.com Chain enables customers and merchants who would like to transact directly, or any participants who would like to scrutinize the network, to set up Community Nodes with the ability to read data on the network and settle for one-self.

We expect the Crypto.com Chain to reach the following number of Community Nodes:

- Within 5 years: 250,000
- Within 10 years: 1,000,000

Community Nodes will be able to use the network free of charges.

Need for review

We are proposing to require Community Nodes to continuously stake 1,000 CRO to perform their role in the network.

4. Settlement Agents

Background

Cryptocurrency asset class is nascent and volatile. Merchants are however looking for price stability to manage and forecast their business.

To increase cryptocurrency acceptance with merchants, it is key to be able to provide them with price stable conversion post-settlement options. Settlement Agents will perform this key service via CRO currency conversion to currencies deemed stable.

We expect the Crypto.com Chain to reach the following number of Settlement Nodes:

- Within 5 years: 20
- Within 10 years: 100

Settlement Agents will be allowed to generate profit by providing conversion services from CRO to coins deemed stable. They will also be allowed to charge 0.50% for fiat payouts to merchants.

Settlement Agents will be charged by the network a levy and a portion of this levy will be used to reward network participants and ensure long-term sustainability of the protocol.

Need for review

We are proposing to require Settlement Agent Nodes to continuously stake 500,000,000 CRO to perform their role in the network.

We are proposing to set the Levy on Settlement Agent Nodes revenues at 25%.

Summary Table

Background

Participants	5-year target	10-year target
Council Nodes	500	1,000
Merchants	5,000,000	10,000,000
Merchant Acquirer Nodes	200	500
Customers	25,000,000	100,000,000
Customer Average Yearly Spend, USD	1,000	2,000
Customer Acquirer Nodes	500	1,000
Community Nodes	250,000	1,000,000
Settlement Agent Nodes	20	100

Need for review

Nodes Type	Staking Requirements ³	Rewards
Council Nodes	50,000,000 CRO	20% of rewards pool
Merchant Acquirer Nodes	5,000 CRO per merchant 10% rolling reserve	20% of rewards pool
Customer Acquirer Nodes	5,000,000 CRO	60% of rewards pool
Community Nodes	1,000 CRO	-
Settlement Agent Nodes	500,000,000 CRO	0.5% of transaction amount processed

³ Staking requirements may become dynamic in the event of insufficient supply available in the market.