

Velo Whitepaper (Feb 2023)

The Web3+ Ecosystem

2nd February 2023

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Preface

Velo's mission is to **revolutionize the world of financial services** through the transformational power of blockchain technology. We started with building a decentralized settlement network that allows participants to safely and securely transfer value between each other in a timely and transparent way. We believe this can be the next-generation platform that addresses the many shortcomings of today's financial services based on outdated and slow legacy systems.

Our merger with Evrynet allowed us to expand our capabilities into other areas of financial services. The combined entity will not only provide solutions for institutional partners with the evolution of the Digital Reserve System (DRS), and the Federated Credit Exchange (FCX), but also build a decentralized financial services ecosystem that addresses individuals' needs as well. These applications will provide greater utility for VELO and bring us closer to realizing our mission.

In our efforts to build our products, we have learned that there is a need to find solutions that work within the current regulatory framework, especially when it touches fiat currencies. A hybrid solution that combines current traditional financial services and web 3.0 is needed to provide a real viable platform for mass adoption and usage. As such, **our core focus will be to build a next-generation financial platform around the concept of "Web3+"**. This means taking fundamental aspects of Web 3.0 technology such as being trustless, decentralized, and built around a distributed ledger on a blockchain (**putting control into the hands of the users**), and integrating the important aspects of traditional finance to ensure maximum interoperability with current market practice, and satisfying regulators.

What we're solving



We're solving the limitations of the current financial system by **leveraging the traditional financial infrastructure and Web3 technology** to break barriers and make financial services become limitless. The new product range in the Web3 world has made new concepts such as self-custody of funds, liquidity pools, and perpetual contracts compatible with the current financial markets.

While we believe that Web 3 is the next inevitable evolution of the internet, there are still fundamental security and compliance matters that need to be in place to protect society from bad actors participating in these new decentralized finance platforms. We feel that a hybrid model that incorporates what works from Web 2, to satisfy regulators while ensuring control is still in the user's hands (fundamental elements of Web 3), will lead to much greater adoption. These are the fundamental principles of what is behind our "Web3+" ecosystem, which comprises three core aspects:

Applications	Economics	Mobility
<ul style="list-style-type: none"> Supports decentralized platforms, but also compatible with 	<ul style="list-style-type: none"> Supports cryptocurrency, stable coins, digital fiat and 	<ul style="list-style-type: none"> Ability to seamlessly move funds or assets Provide deep liquidity

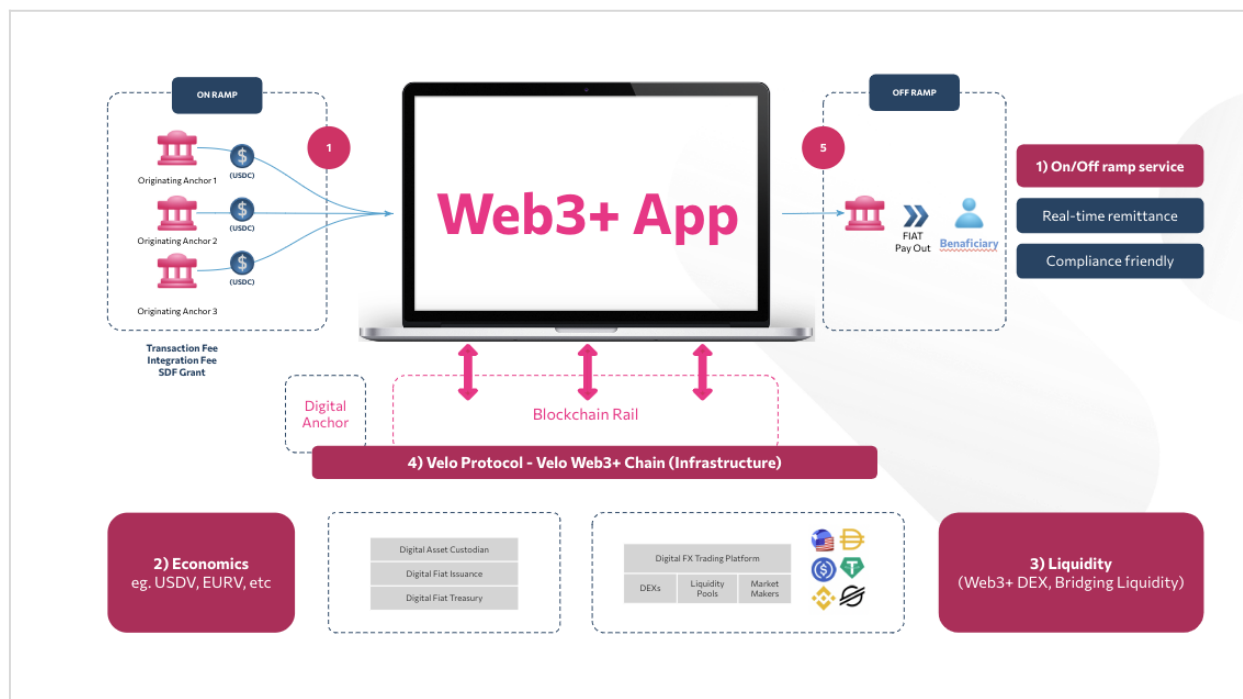
centralized systems and processes	<ul style="list-style-type: none"> digital assets Self-custodian wallets with the ability to allow for temporary in-app custody 	<ul style="list-style-type: none"> for assets Minimise the barriers to entry
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Velo's Web3+ product suite plans to address the following:

Provides Key Tools for Business	Seamless automated connectivity finance services
Deliver a framework for accelerating businesses so that they can offer services to end-users in both the traditional and web3.0 worlds.	A Next-generation financial bridge that enables fiat and digital fiat liquidity to match and settle through any financial services in Velo Web3+ Ecosystem.

Low fees	Limitless Technology	Liquid Capital Economics
Transactional fees in Velo's Web3+ Ecosystem are competitive, and substantially less capital intensive for Velo partners	Ongoing development of Web3+ technology ensures Velo leads the industry with advanced blockchain applications and implementations to unleash revenue potential, with the purpose of increasing money velocity and mobility.	Velo's digital fiat economics will offer a highly liquid treasury loan or funding but allow delayed settlement due to our extensive partner network

The Web3+ Ecosystem



Core Platforms

FCX and Quantum

FCX is currently our main digital asset trading platform for many digital asset pairs. The platform provides trading opportunities for Velo digital assets, including digital fiat, and selects digitized commodities. FCX will primarily serve licensed financial institutions, money transfer operators, and FX traders and act as a B2B anchor between financial networks. Traders on the platform will need to use our USDV token, which can be acquired with USDT/USDC stablecoins or through our lending mechanism for fiat currency.

Quantum, our remittance platform, will use liquidity provided by Trusted Partners on the platform to serve money transfer operators (MTOs) for settlement and rate quotation to its customers, which ensures more efficient and fast money transfer transactions.

Universe

While FCX focuses on institutional users (e.g. MTOs, Banks, and Exchanges), Universe will allow for participation from individual traders. As part of our Web3+ initiatives, Universe will serve as a platform that provides exceptional trading experience with comparable key functionality and performance of a centralized exchange with a decentralized self-custodian wallet. The decentralized wallet integration allows users to maintain control of their funds which negates many of the current issues seen in the past year, with users losing access to their funds when a centralized exchange shuts down trading and/or deposits/withdrawals. It also provides the ability for users to easily move funds between their wallets so users can lock or unlock funds for trading based on their individual needs.

In the beginning, Universe will open for trading perpetual contracts with leverage capabilities. In the next phase, we will introduce spot trading for cryptocurrency as well as other types of assets, such as commodities, currencies, equity & indices as well to provide a more seamless trading experience for all types of asset trading.

Orbit

To expand the ecosystem, we also intend to provide a payment solution. Orbit will be a mobile payment application that integrates with the current QR code payment system prevalent in Southeast Asian countries. This is a conscious decision as users, both individuals and merchants, are already familiar with QR code payments. This means that we will face fewer barriers to the change in consumer behavior and merchant management systems.

On the consumer side, they can seamlessly move their digital assets from trading activities to payments using the same wallet applications. Payments can be made using either Vstablecoins or cryptocurrency, depending on merchant payment acceptance. For merchants, they can provide other payment channels that could enhance their purchasing experience. The Vstablecoins, or cryptocurrency collected, can then be converted into fiat currency using our on/off ramp services. Payments are made on Nova, which ensures that there are minimal costs to users (see below for further details).

Auxiliary services

On/Off-Ramp Service

The On/Off-ramp Service is a mechanism to bridge fiat to the Web 3+ ecosystem we're building. This service will facilitate users coming to use our platforms. We plan to connect with various partners to provide more channels for on/off ramp service to increase the ease for users to convert in/out of our ecosystem. In the future, we also have plans to work with central bank digital coins (CBDC) once it is introduced, and this will also be the primary mechanism to support financial institutions to use Velo as a blockchain-based clearing house.

Velo Finance

Velo Finance is an important part of our Web3+ ecosystem development. It is a suite of common decentralized applications that provides familiar crypto-centric functionality for individuals and institutional investors to effortlessly participate in DeFi. On the site, you'll find a lot greater utility for the VELO and USDV tokens, including the ability to swap or exchange a wide range of popular cryptocurrencies, liquidity pools, and yield farming.

We've built a decentralized financial ecosystem designed to simplify user experiences for traders and liquidity providers. Trade, provide liquidity, stake, and earn rewards - the choices are limitless.

Warp









The ability to tap into liquidity across the differing blockchains is very important. Each chain has its unique developer environment and suite of products and services they provide. As such, ensuring that we enable access to these tokens to a highly liquid network to allow traders to diversify their holdings is very important. Multi-chain support is a must in the evolving crypto industry and is something that is also important for us, given our primary token is on the Stellar network: A chain not commonly supported in the DeFi landscape. VeloHub will evolve over time as new chains or coins/tokens come along.

Nova

Velo Chain is an EVM-compatible blockchain that we operate into to support other core platforms. The mainnet will use NOVA tokens as its gas fee, which will not have any monetary value i.e. not traded on any exchanges. In the beginning, users can request NOVA tokens to their wallet through our provided faucet. However, each request will be possible if the balance of NOVA in the wallet falls under a specific amount to ensure no NOVA hoarding.

The chain will help streamline the onboarding process for users who want to trade on Universe, where a quick QR code scan will create and provide NOVA for a gas fee to operate the wallet. This will be an option for those users who may not be accustomed to operating a Metamask wallet on their own. In addition, the Nova chain will support Orbit payments through a fast and low transaction fee.

Velo Labs offers a range of products to complete its Web3+ ecosystem.

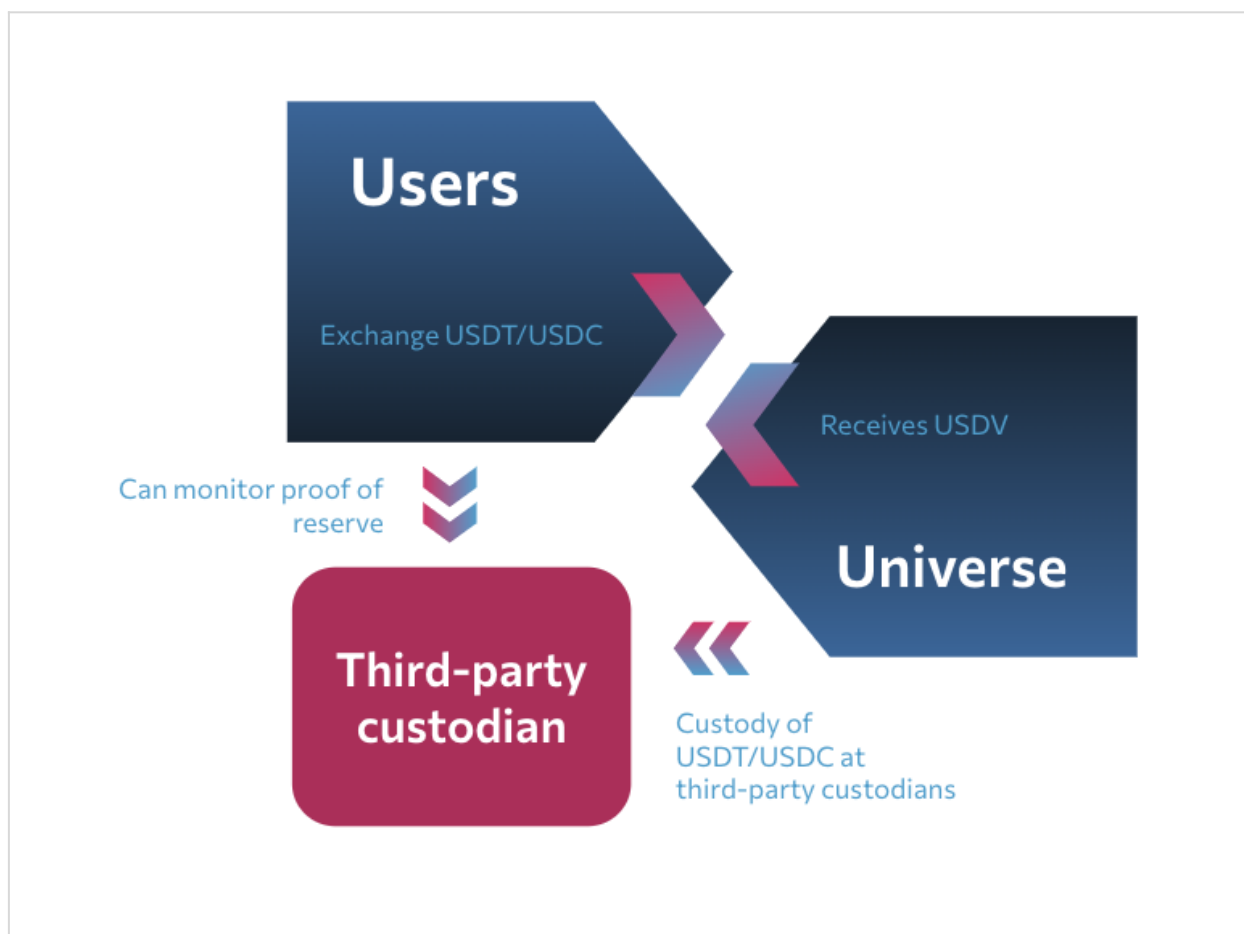
 Quantum A one-stop lightning-speed remittance network	 FCX An engine behind Universe, only for business clients	 Universe A multi-chain super DEX	 Orbit A crypto payment super App
 On/Off ramp service A bridge from fiat to the Web 3+ ecosystem	 Velofinance.io An all-inclusive decentralized financial Platform	 Warp An all-network cross chain bridge	 Nova Chain An affordable universal blockchain network

The VELO & Velo's stablecoins (Vstablecoins)

Vstablecoins minting

Given the recent failures of high-profile stablecoins, we will introduce an adjustment to how we mint Vstablecoins and how we manage the collateral for the underlying value of our stablecoins. The new management of our stablecoins will be more explicit in minting new stablecoins once we receive assets in the form of stablecoins (e.g. USDT or USDC) to exchange with.

With the launch of Universe, we anticipate a higher usage of Vstablecoins, especially USDV, the platform's main trading pair. Traders or participants must exchange USDT or USDC into USDV at a 1:1 ratio to trade. These stablecoins will then be custodied with a third-party custodian and allow for proof of reserve to ensure confidence in the value of our Vstablecoins.

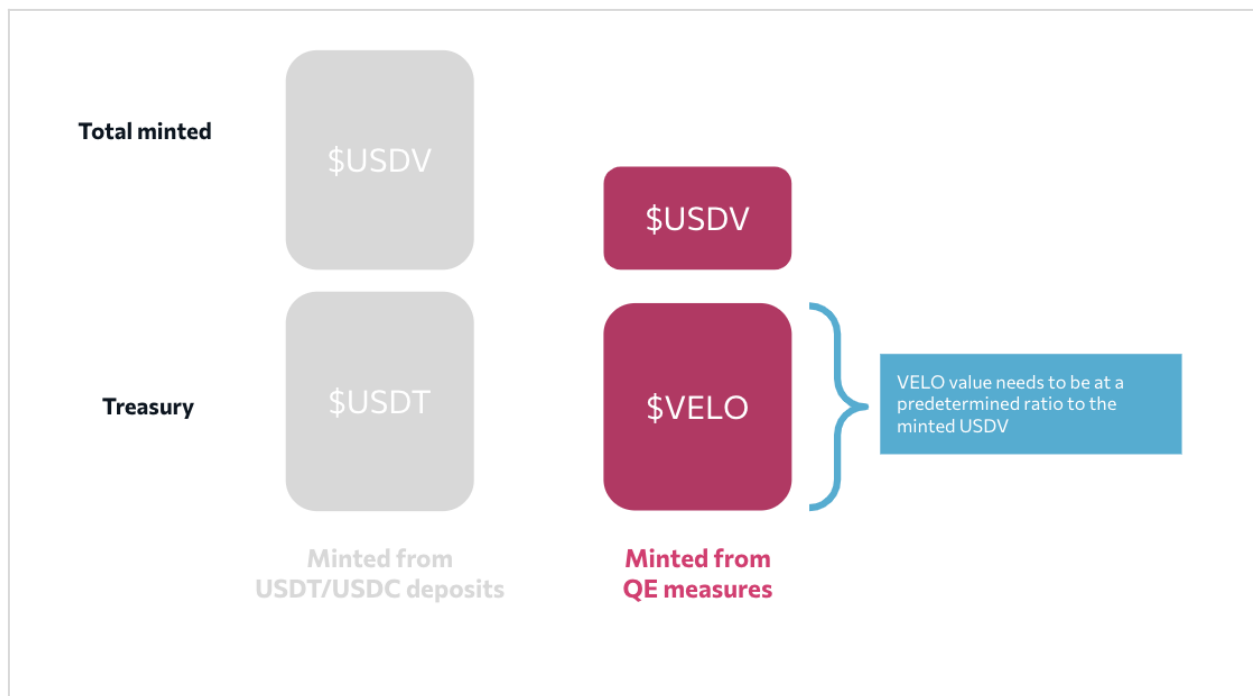


The role of Velo treasury

The main responsibility of Velo treasury is to manage Vstablecoins supply, specifically the minting of Vstablecoins and the management of VELO as collateral/insurance. Normally, the treasury will only mint new Vstablecoins (USDV) when it receives the equivalent amount in USDT/USDC.



However, Velo treasury will also be allowed to pursue policies that grow the ecosystem. One tool that treasury can use is similar to the concept of Quantitative Easing (QE) by central banks. For Velo's QE, treasury will be able to mint extra USDV using Velo as collateral using a predetermined ratio where the value of VELO collateral must double the value of minted USDV, and readjustments are made periodically. Nonetheless, the treasury will still have a limit to the amount of USDV minted using VELO to ensure the health of the reserve.

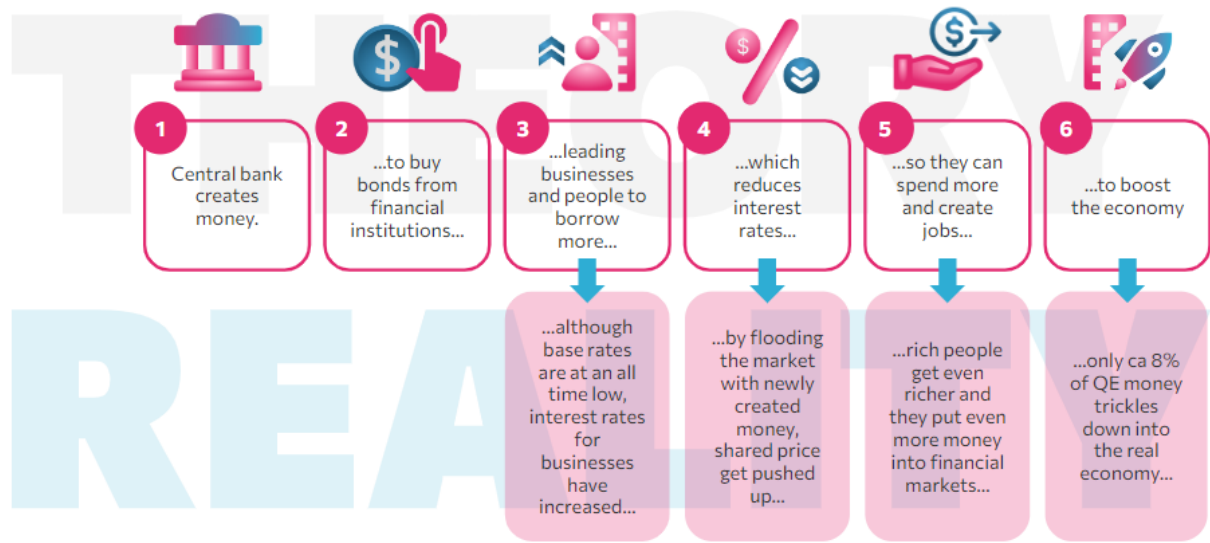


Lessons from QE by central banks

In fiat economies, central banks' QE starts from buying bonds from financial institutions, which then increases the price of bonds and, thus, lowers the interest rates. This then leads to a lower cost of capital for individuals and businesses, so there is more liquidity in the market as more loans are made to increase economic activities in the economy.

However, there is criticism that in the past couple of years, instead of increasing productive loans, the increased liquidity has poured into the financial markets, which pushes share prices up while only a small percentage of these liquidities actually gets trickled down into the real economy.

Quantitative Easing (QE) is supposed to drive public spending, create jobs and boost the economy. But experience proves a different reality.



Source: [Positive Money UK](#)

The mechanism for Velo treasury to draw stablecoins

Taking lessons on how central banks manage their monetary policies, Velo treasury will look to implement a similar mechanism. In this mechanism, money printed would be VELO, and bonds at financial institutions will mean USDT that is used as collateral to mint USDV. In a QE, Velo treasury will use VELO, at market price or with some discount, to withdraw USDT from a USDT facility set up by a partner we directly solicited. It works using a Lending pool model where VELO is deposited, and USDT is withdrawn. Once the treasury has USDT, it will then mint USDV and lend directly to users to increase activities within the ecosystem e.g. trading. This will ensure that the increased liquidity directly benefits the ecosystem's growth.

This mechanism ensures that the treasury can get USDT without manipulating VELO price directly i.e. selling into the market to obtain USDT. The partner providing USDT liquidity is incentivized to see VELO price increase as they want to grow the value of their assets.

Impact on VELO tokens: Expanded utility of VELO and Vstablecoins and Velo Web3+

With our expanded Web3+ ecosystem, Vstablecoins use case will be expanded to other activities. Beyond FCX, a Vstablecoin (USDV) will be used as the main currency pairing for our trading platform, the Universe, as well as any other new platforms we introduce into the ecosystem.

As for VELO tokens, in addition to being used as collateral for minting Vstablecoins, the token will be heavily used within the ecosystem. These can include staking VELO to reduce fees for trading on Universe, as a future governance token for voting on any new projects on Velo Chain, and for voting on fees and referral commission. These are some mechanisms that will create demand for VELO tokens.

The expansion of the Velo ecosystem and the utility of VELO will lead to the natural demand for VELO from users within the ecosystem. Expansionary policies taken by the Velo treasury will help to ensure there is healthy growth in economic activities within the Velo ecosystem.

Future of Velo treasury

As the number of holders increases and the ecosystem grows, we may look to allow certain treasury decisions to become a DAO i.e. setting ratio of VELO collateral and the ratio allowed for QE. Meaning the decision to set the ratio for Velo collateral and the ratio of stablecoin collateral could come down to project voting. This is something that we may look to convert into once there is a healthy spread of Velo token holders which ensures there for decentralized voting power.

In Conclusion

Velo is supercharging the money velocity by leveraging the traditional financial infrastructure and Web3 technology to break barriers. We are building new Web3+ products that will make financial services truly trustless, formless, borderless, and limitless.

Under this new process, our treasury will have a more prominent role in managing the growth of our ecosystem through the management of our Vstablecoins and its collaterals. New utilities for VELO are also being added such as staking VELO to lower trading fees in Universe and will ensure there is a natural demand for VELO. This mechanism ensures that holders can benefit from the growth of our ecosystem and product adoptions.

