



Asset Backed Stablecoin will  
Change the Crypto World

# Whitepaper

Version 1.0

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# Our Story

We named the company “Standard Capital” to pursue our goal of making an investment standard in Japan. We are seeing new business models being created by new technologies such as the blockchain technology and AI technology. However, many startups and SMEs lack sufficient capital needed for making actions and the long time it takes to raise enough capital often prevents them to start or expand their businesses. On the other hand, only a small number of investors can invest in listed companies due to their high minimum sales quantity. This mismatch in the financial market is creating a loss of investment opportunity. Many investors cannot invest in companies they want to support. As many failures result in success, society needs to change to encourage people to pursue their business opportunities. We are developing an STO platform and a stable coin to provide a solution to the issue.

This will allow people who were previously prevented from the financial market to make investments, and companies will be able to raise capital from many small investors and also make speedy money transfers. We are developing a security token to change the way companies raise capital in Japan. Since the founding, we have been developing a security token standard for Japan. In the march of 2019, Standard Capital, Earlyworks, and IDCM announced a partnership to develop the JP protocol. The three companies are testing the transaction speed and making improvements through information sharing. In the future, we are aiming to apply the blockchain technology to securities transactions. The JP protocol development team consists of successful entrepreneurs, experienced blockchain experts, and many Fintech engineers.

We also partnered with Rare Earth Asia Technologies in the Philippines in June of 2019. We agreed to create a security token exchange company. We are also planning to provide the JP protocol. The new company will be located in the Cagayan Special Economic Zone in the Philippines and we will be expanding our business overseas. One of the main objectives of the agreement is to contribute to the security token market in Japan and Asia and look for business synergies of blockchain and other businesses.

# Our History

- Nov. 2018** Founding of JEFO
- Dec. 2018** Started development of an ST standard in Japan
- Jan. 2019** Started building an STO platform
- Feb. 2019** Changed the corporate name to Standard Capital from JEFO
- Mar. 2019** Achieved revenue of one hundred million yen, and expanded staff to 30.
- Apr. 2019** Started testing the alpha version of the JP standard (J-FTA)
- May 2019** Forged an agreement with Earlyworks to develop the Jp standard (JP20)
- June 2019** Made an agreement with Rare Earth Asia Technologies to create a joint company

# Our Mission

## **Utilizing XUSB in the foreign exchange market**

Capital Growth Investment Strategy is a widely accepted portfolio management. We propose a new way of diversifying the risk by incorporating a stablecoin in your investment strategy. The capital growth investment strategy, which aims to maximize the value of the portfolio, is a high-risk investment strategy because it requires greater investment discipline and capital management. A portfolio that follows the capital growth investment strategy mostly consists of stocks and in many cases over 70% of capital is invested in growth stocks. The rest of the portfolio consists of lower-risk assets such as bonds, MMFs, and cash in order to limit the overall risk of the portfolio. Although portfolios vary by person to person based on their profit goals, we can see some portfolios that are more than 90% stocks.

The capital growth investment strategy favors SME stocks over large-cap stocks since SME stocks are considered to grow more and increase in profit for a longer period. Diversification of the portfolio is paramount in the capital growth investment strategy and it is achieved by investing in many types of assets such as stock, option, futures, ETFs, funds, and bonds. The capital growth investment strategy is a long-term investment strategy in many markets by hedging the risk by using derivatives and investing in high-growth, high-risk stocks and low-growth, low-risk stocks. This strategy requires little review and change in the portfolio. Stocks can be found through many available growth investment tools and strategies, and experienced investors are encouraged to actively manage the portfolio by replacing low-performing investments with high-performing investments. Active portfolio management has a bigger cost but investors can expect to grow their asset values and profits rapidly. On the other hand, there persist issues such as higher risk, unpredictable returns, and volatile portfolios.

As stated above, there are many issues and risks with the capital growth strategy, the stock market is experiencing a longer, more stable growth than other markets. By incorporating XUSB, which is a stablecoin we're issuing, in the portfolio, an investor can diversify the risk in the capital growth strategy.

## **Increased regulation on the cryptocurrency market**

The foreign exchange market has more than 4 trillion dollars of trade value and due to the presence of hedge funds, the trading volumes at the New York Stock Exchange and the London Stock Exchange are growing. The demographics of market participants is changing and the change is influencing the exchange rates and trading volumes in other countries. Intra-dealer trading, which has been conducted by banks and securities companies has declined, and the presence of institutional investors and hedge funds has increased. This shift is due to the spread of electronic transactions, and hedge funds are making profits through high-frequency trading.

The foreign exchange market is under a tighter regulation than the cryptocurrency market. However in Japan, with the passage of the Payment Services Act and the Financial Instruments and Exchange Act in May of 2019, the cryptocurrency margin trading has been placed under the same regulation as the foreign exchange margin trading (FX for short) and is only allowed to have the margin ratio of 200-400% as designated by the cabinet order.

In the past, the maximum leverage for the FX was 400 times, but the Financial Services Agency issued new orders and limited the maximum leverage to 50 times in 2010 and to 25 times in 2011. The agency decided not to lower the maximum leverage 10 times in 2018, and it decided to conduct a stress test on every business in the industry and set the leverage rate based on how healthy they are. The FX pairs each currency and the exchange rate changes based on data such as employment data and also technical analysis by investors. In addition to economic data and interest rates, factors such as natural disasters and war can also affect the exchange rates. In the past, most investments were made in the equity market, but recently, more and more investors are shifting toward the foreign exchange market due to its high volatility.

However, the number of manipulation of exchange rates is increasing because the trading is automated by the electronic system and there now is easy access to the foreign exchange market. Furthermore, governments are tightening their anti-money laundering regulations in the foreign exchange market, and similar regulations are necessary for the cryptocurrency market. In Japan, two laws called the Criminal Proceeds Transfer Prevention Act and the Foreign Exchange and Foreign Trade Act have been implemented. In October 2012, the Financial Service Agency published an industry guideline on how to prevent criminal organizations from taking advantage of the industry. The acts mandate KYC and reporting of suspicious transactions. It was amended in October of 2016 to include related services of the financial industry.

Anti-money laundering and anti-terrorism funding are strengthened all over the world and those who violate the regulations are facing consequences. The vulnerabilities in the financial system could cause a credit issue, and we are seeing increased regulations by FATF in the cryptocurrency industry. The fourth FATF – Japan mutual monitoring will be conducted this fall. Taking into account the past crypto-theft incidents, there is a need for stronger regulations. We think it is essential that we have a stronger anti-money laundering and anti-terrorism funding regulations in the cryptocurrency market as we have in the foreign exchange market.

# Problems to Solve

Cryptocurrencies, which is issued on blockchains, are decentralized digital assets and they don't require the banking system or even the government. Since its implementation in 2009, it has been used by traders and investors. We are seeing more and more people are starting to invest in the cryptocurrency market. Recently, institutional investors are accepting cryptocurrencies, and there are new projects that use cryptocurrencies as a method of payment. One such cryptocurrency is the stablecoin. Many countries are developing stablecoins as a new payment method.

However, there are problems with cryptocurrencies. Trades in the cryptocurrency market are anonymous. FATF deemed its anti-money laundering and anti-terrorism funding measures insufficient and is planning to impose an international regulation. Also, cryptocurrencies are not tied with any nation and as such, it is difficult to clarify the jurisdiction. Another problem is the speed. When the price of Bitcoin hit 19,000 dollars, the number of unprocessed transactions was over 200,000, the transaction fee cost dozens of dollars and the transaction time was between a few days to several weeks.

Cryptocurrencies have the potential to replace credit cards and be used as an international payment method not only for individuals but also for companies. However, the slow transaction speed and the high transaction fee when there are too many users remain as major obstacles. Cryptocurrencies must overcome these obstacles to be widely accepted.

XUSB is a stablecoin pegged with the USD. By pegging the coin with USD, the coin has low volatility and the price is stable. There are many cryptocurrencies in the market, but most of them are used for speculative investment purposes, and the lack of investor protection due to their high volatilities is a major issue. A stablecoin is not volatile, and there is increasing interest in stablecoin as a method of payment and money transfer.

## **About assets backing XUSB**

All of the assets of the issuer are covered by insurance either rated A or AA. As such, more than 100% of return from the asset is essentially guaranteed. The subsidiary of Standard Capital will issue the amount of XUSB corresponding to its assets. The total value of XUSB will never surpass the combined asset value of the companies.

## **Swap to the original blockchain**

XUSB will be swapped to the original blockchain before it reaches the total number of 1 billion in July of 2020. The protocol of the original blockchain will be J-FTA currently being developed by Standard Capital.

# The Solution

## Stablecoin



Stablecoin is, as the name suggests, a coin its value is stable. Stablecoins are pegged to legal tender such as JPY and USD which makes their value stable. Cryptocurrencies that are not backed by assets such as legal tender are volatile. XUSB, on the other hand, is backed by assets covered by insurance and designed to be stable. Stablecoins can be transferred without going through banks which makes the transaction speed much quicker than the traditional bank transfer. Also, the transaction cost can be reduced compared to the conventional method. Stablecoins are sometimes used as a means of quarantine assets from external crises such as high inflation. There are three types of stablecoin.



### Assets backed stablecoin

Stablecoins that are pegged to legal tenders fall in this category. A “dollar-pegged” stablecoin is pegged to the USD. Those legal tender pegged stablecoins depend heavily on the trust of the centralized platforms that manage those tenders. In the case of a dollar-pegged stablecoin, its trust depends on the trust in the FRB and the United States. XUSB is backed by assets covered by insurance, so it’s classified here.

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### Pegged to cryptocurrency

A cryptocurrency-pegged stablecoin is pegged to other cryptocurrencies. In order to absorb the volatility, the issuer of the stablecoin must have an excess reserve of the cryptocurrencies that the stable coin is pegged to. This type of stablecoins are decentralized, but it is less stable compared to stablecoins pegged to legal tenders.

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### Not-backed stablecoin

Some stablecoins are not backed by any asset. Those coins stabilize the price by using the smart contract. The smart contract technology is utilized to buy an excess supply to stabilize the price.



# Business Model

The cryptocurrency industry is being shocked by multiple hackings to cryptocurrency exchanges. In addition to strong KYC/AML measures, new measures such as allowing investors to own unique accounts on the blockchain, a system that incorporates automatic user identification and classification, and an investor protection system that can chargeback and cancel transactions. Many projects use original protocols based on the ERC30 protocol. Some of the projects have features that monitor customer information. In order to overcome problems that infested early days of ICO such as lack of anti-money laundering measures, many projects and exchanges cooperate with protocols with KYC/AML features to issue tokens.

J-FTA system is designed to disperse authority for investor protection. It is modeled after “the Hyperledger Fabric” currently being developed by IBM. Our protocol will have both high transaction time and authority distribution system.

Hyperledger Fabric : An open-source blockchain platform. The joint verification is done with the Linux Foundation profit. This open-source platform is designed to be the basis when developing a blockchain project. With the module architecture, the Hyperledger Fabric network will be both expandable and secure.

Stellar : Founded by Jed McCaleb, the founder of Mt GOX, the company aims to develop a payment system for personal usage. It will bring new value to the money transfer industry by reducing the cost and the transaction time. It uses a unique protocol called the SCP (Stellar Consensus Protocol). It is widely known as a payment method

J-FTA distributes authority by an organization basis. By ensuring transparency and safety, we are creating a system that protects investor assets. The current blockchain that is connected to exchanges faces risks such as personal information leaks and hacking. We will solve these issues so that the blockchain technology will be widely accepted by the public for investment and fundraising by ensuring safety and reliability

J-FTA has 6 features to ensure the health of the blockchain market.

1. KYC(Know Your Customer) Identifying customers by checking ID documents.。
2. AML(Anti-Money Laundering) Eliminates malicious transactions by implementing a strong anti-money laundering and anti-terrorism funding measures.
3. User protection prevents transaction data tampering and introduces measures in case of users lose account password or the secret key.
4. User information protection Keep personal information secure.
5. Maintain that the system information is always correct and updated. Audit to make sure there is no manipulation of the transaction information.
6. System sustainability. Ensure that the system won't stop and always running.



## Self Regulatory Organization

Standard Capital conducts KYC(know your customer) and AML(anti-money laundering) to ensure user authenticity. All investors must pass KYC/AML screenings by exchanges before sharing information on the blockchain. Once an inconsistency is detected, the account is paused. This will ensure anti-money laundering, anti-terrorism funding, and user protection.

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## Transaction Monitoring Organization

While the self-regulatory organization manages user information, the transaction monitoring organization monitors and approves transactions. The transaction monitoring organization monitors and requests approval of the transaction to the Transaction Audit Organization with a certain number of agreements of the examination result. The system will keep running even in the case of hacking because the information is distributed on the blockchain. We also have measures against hacking for system sustainability. The transaction information is automated by using the electronic signature technology and users with inconsistent information will be registered on a blacklist. We are currently developing an original blockchain through the Stellar examination.

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## Transaction Audit Organization

The transaction audit organization holds the ultimate management authority of user information and transaction information. This organization approves transactions and it has the authority to cancel and reverse the transaction once a malicious activity is detected. With a certain number of members' agreement, the transaction audit organization can issue a new account or move the asset if a user lost his password. The transaction audit organization acts as the ultimate validator of AML and it also updates information. The transaction audit organization has access to other information but the updating authority is distributed among different organizations to ensure information security.

# About the future

## The Vision

The excess capital from revenue will be invested for system development of J-FTA, Security Token exchange system, and other projects and infrastructure management. We are also planning to make a long-term investment in the business and hiring legal counsels to adapt to the ever-changing regulations on the blockchain. Cybersecurity upgrades and global expansion are included. We are planning to utilize excess capital to expand our business.

## Future tasks

There are still some problems with XUSB original blockchain. We will continue to work on improving anti-hacking, information security and forced reverse transaction in the case of theft.