



**Regulated Decentralized Finance
Platform & Services**

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Abstract

Chintai Network Services Pte Ltd is a Singapore based FinTech service provider for custody, issuance and secondary trading of tokenized securities and other digital assets. Our compliance enabled distributed ledger technology (DLT) products can be white labeled to dramatically reduce administrative overhead in traditional financial infrastructure by automating cap table management, manual middle/back office processes, compliance, reporting, corporate actions and more.

The trading and issuance engine has been architecturally designed for regulated assets (i.e securities, funds, real estate etc.) and various cryptocurrencies (utility tokens, NFTs). The compliance engine smart contract(s) can be configured to execute regulatory requirements specific to a given jurisdiction in real time. All compliance rules that do not require off-chain actions are encoded at the chain, account and token layer for maximum efficiency potential offered by DLT.

Chintai is currently in the process of applying to become a licensed Recognised Market Operator (RMO) with the Monetary Authority of Singapore (MAS) to carry out regulated issuance and trading of tokenized securities. Additionally, Chintai is applying for a Capital Market Services License for Dealing and Custody. This means that Chintai is being developed to be a first of its kind regulated high-performance decentralized exchange.

Background

Chintai launched the first decentralized finance (Defi) exchange for leasing token utility in October 2018. This enabled otherwise unused EOS token utility (computational power i.e. CPU) to be leased for income and autonomously distributed for efficient, low-cost usage. The utility distribution engine and exchange order management system (OMS) is 100% on-chain and powered by commercial grade EOSIO smart contracts.

EOS CPU leasing market(s) quickly grew in late 2018 and early 2019. At its peak, the Chintai market size reached an all-time high of 20m+ EOS. More than \$250 million in trade volume has been circulated through Chintai, totalling 33,000 users.

The first token utility leasing market illustrated both the potential for profitability of token leasing at commercial scale and the efficacy of the Chintai engine to service high performance digital asset trading entirely on-chain. Current leasing markets include EOS, DAPP, WAX, and BOID.

The Chintai team began developing compliance enabled DLT infrastructure to service leasing, trading and primary issuance of digital assets in 2019. All components are developed to meet the licensing standards of the MAS and eventually regulators worldwide.

Chintai's compliance engine, issuance platform and OMS are available for

white-label usage by licensed financial institutions or SME's either in the process of fundraising or facilitating digital assets exchange and issuance that does not require compliance with regulators (i.e. closed networks, NFTs, etc.).

Chintai has issued its own utility and platform token called "CHEX" (Chintai Exchange). The distribution was compliance enabled with KYC/AML and excluded citizens from the United States, China, and countries blacklisted by FATF (Financial Action Task Force).

The platform is architecturally designed for any business to develop their own front-end portal that leverages Chintai exchange markets (including smart contracts, liquidity, and compliance enabled exchange engine), creating a powerful opportunity to build network effects and liquidity across all Chintai markets. (see [Chintai Merchant network](#)).

Regulated Decentralized Exchange

Chintai's token trading and leasing platform technology is being developed for use as a fully functioning digital asset marketplace and trading venue. Specifically, Chintai intends to facilitate the offering, custodianship, trading and clearing of numerous digital assets, with an emphasis on those that will fall within the categories of securities (including debentures) or units in collective investment schemes under the SFA (Securities & Futures Act).

Chintai is pursuing authorization of these activities by MAS to engage in the *Establishing and/or Operating an Organised Market*. In addition, Chintai will be undertaking certain ancillary activities in relation to the Chintai Regulated Platform (CRP) which necessitate that Chintai hold authorizations to carry on *Capital Markets Services of Dealing and Custodial Services*.

Chintai's primary mission in building this technology is to usher in the transition from traditional financial infrastructure to DLT. The desired outcomes, features and value propositions of the CRP include, but are not limited to, the following:

- a.** Democratize access to fundraise/crowdfund for Small and Mid-size Enterprise (SME's) and retail investment opportunities
- b.** Efficient flow of capital from investor to fund raiser; crowdfunding
- c.** Efficiency gains in asset lifecycles and removal of costly administrative overhead
- d.** Reduce AML risk that is perpetuated by unregulated Digital Asset Trading Platforms (DATPs)
- e.** Increased market transparency and consumer confidence

- f.** Enhanced price discovery and market formation in capital markets
- g.** Reduce fraud, market manipulation and malicious activities in financial markets
- h.** Unlock efficiency gains, increased margins and investment opportunities by fractionalizing illiquid assets (i.e. commercial real estate)
- i.** Consumer protection and mitigation of cyber security issues with digital asset wallets, private keys, etc.
- j.** “Liquid Ready” markets with AMM’s (Automated Market Makers or pool markets) and mitigation of price volatility
- k.** Institutional grade DLT infrastructure (i.e. 100% on-chain, high performance DLT with UX comparable to centralized applications)

Democratize Access to Fundraising & Investment Opportunities

One of the key benefits of a decentralized digital asset exchange, such as the Chintai Platform, is its ability to democratise securitisation and investor market entry.

At present the opportunities for tokenizing asset classes that were hitherto illiquid and subject to crippling barriers to entry for investment purposes are significant. Furthermore, issuance of securitized assets for SMEs is very restrictive due to high costs passed down by administrative inefficiencies in distribution outlets.

Not only does Chintai technology allow for lower cap market participants, such as emerging markets businesses/early stage start-ups (SME’s) to tokenize and issue securitized assets at a fraction of the cost of traditional infrastructure, but Chintai also enables digitized asset classes such as bonds and fractionalized real estate that can be accessed at a smaller investment cap.

Furthermore, there is the opportunity for tokenization of asset classes such as fine art, classic cars and intellectual property provided their securitisation/tokenisation is done in accordance with sound market practices.

Whilst the potential to democratise the securitisation of these assets is significant, tokenization also allows for flexibility in terms of the structure the digital representation of these assets will take (i.e fractionalized commercial real estate). The full gamut of alternative investment products can in theory

be structured and then tokenized to reduce market entry point and investor risk.

Efficient Flow of Capital from Investor to Fund Raiser

The ensured immutability of DLT on which the CRP is operating, results in a core advantage over traditional financial infrastructure – by decentralizing the system, there is no need for a central authority or intermediary for placing and executing orders. The CRP can facilitate peer-to-peer transfer and direct buy and sell of assets between parties without a third party needing to intermediate the trade. This reduces the transaction cost on each trade and the time needed for the transaction is significantly reduced.

Chintai has been closely following the development of [Project Ubin](#) and intends to ensure alignment of its DLT and systems with the proposed network so that, should Ubin lead to widespread adoption across Singapore’s financial market, the Platform is well-placed to adapt and integrate accordingly.

Efficiency Gains in Asset Life Cycles

Chintai provides token issuance and secondary market making services through a high performance Order Management System (OMS) that operates fully on DLT. Due to the ability of regulatory compliance rules to be configured and enforced through smart contracts, this design provides huge operational and data efficiency gains over conventional financial infrastructure. This includes automated reconciliation, reporting, increased operating margins and the ability to innovatively restructure entire asset classes.

The CRP is capable of automating cap table management, corporate actions, reporting, enforcement of existing compliance requirements and updating regulatory law as new guidelines are matured and issued by regulators.

User Onboarding, Risk Scores & Reduction of AML Risk

Digital Asset Trading Platforms (DATPs) are almost without exception online-based digital platforms. Without restrictions applying to limit who can access a given DATP, the operator can freely onboard new users in a manner that breaches applicable regulation and creates significant AML risk.

Chintai will put in place the following measures to deal with client on-boarding risk:

- Undertake a global regulatory mapping exercise to identify the frameworks applicable in any jurisdictions in which digital assets listed on the CRP will be made available to new users. This will ensure any promotional/offering activities (including that the CRP makes accessible) will not be allowed if there is a risk of breaching local law in the relevant international jurisdiction (i.e a “walled garden” or “geo-fencing”)

- New users will be subject to full 'know your client' on-boarding requirements to ascertain the user's identity (including two-factor authentication) and, if applicable, UBO identification, in accordance with the MAS On-boarding Rules (see figure 1.0)
- New users will be screened against all applicable international sanctions and the MAS Sanctions Rules (see figure 1.0)

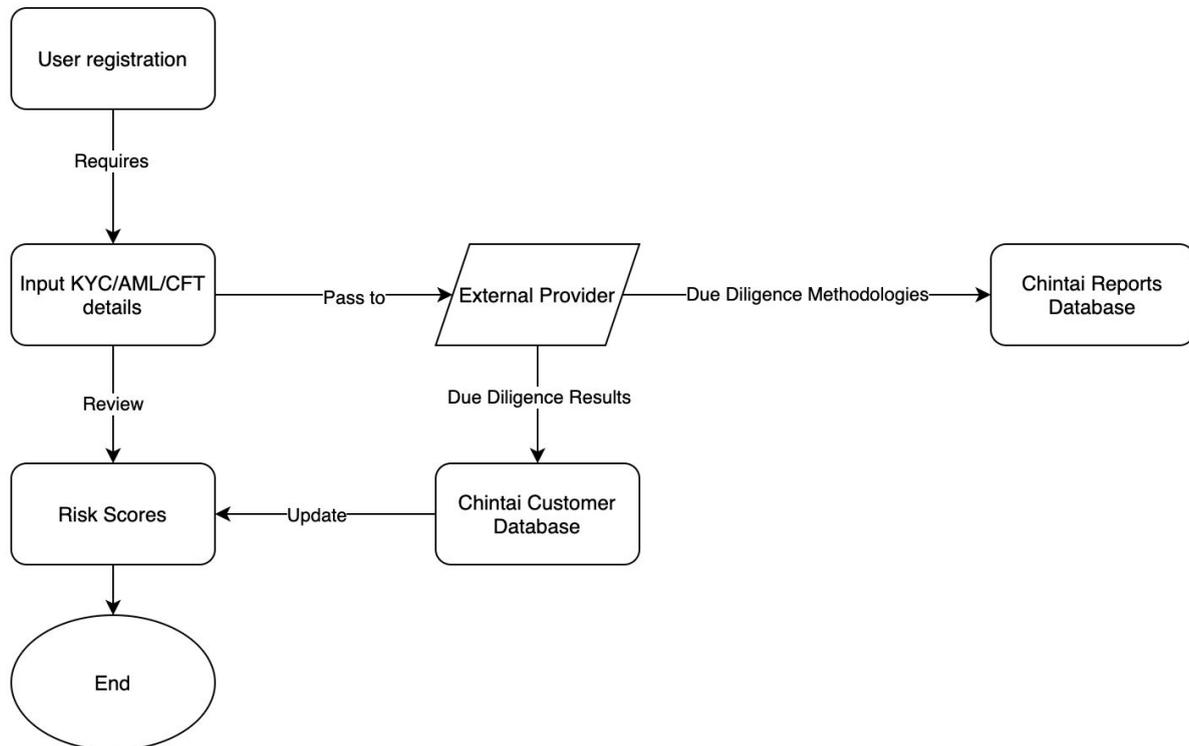


fig 1.0: KYC/AMI On-boarding & Risk Score

- Chintai is following the development of the InterVASP (Virtual Asset Service Provider) Messaging Standard. The CRP will allow for full integration with the Standard so as to ensure Chintai's compliance with the FATF VASP Travel Rules
- New users will be put into the applicable investor class (i.e retail/accredited/institutional) and have the same communicated to them, including such disclosure of the limitation of protections afforded to them by virtue of their classification and/or that they are not eligible for being able to use the CRP (i.e where they are a retail client without proper accreditation status) in accordance with the MAS On-boarding Rules (see figure 1.0 and 1.1 for risk assessment, user classification, and pre-order checks)

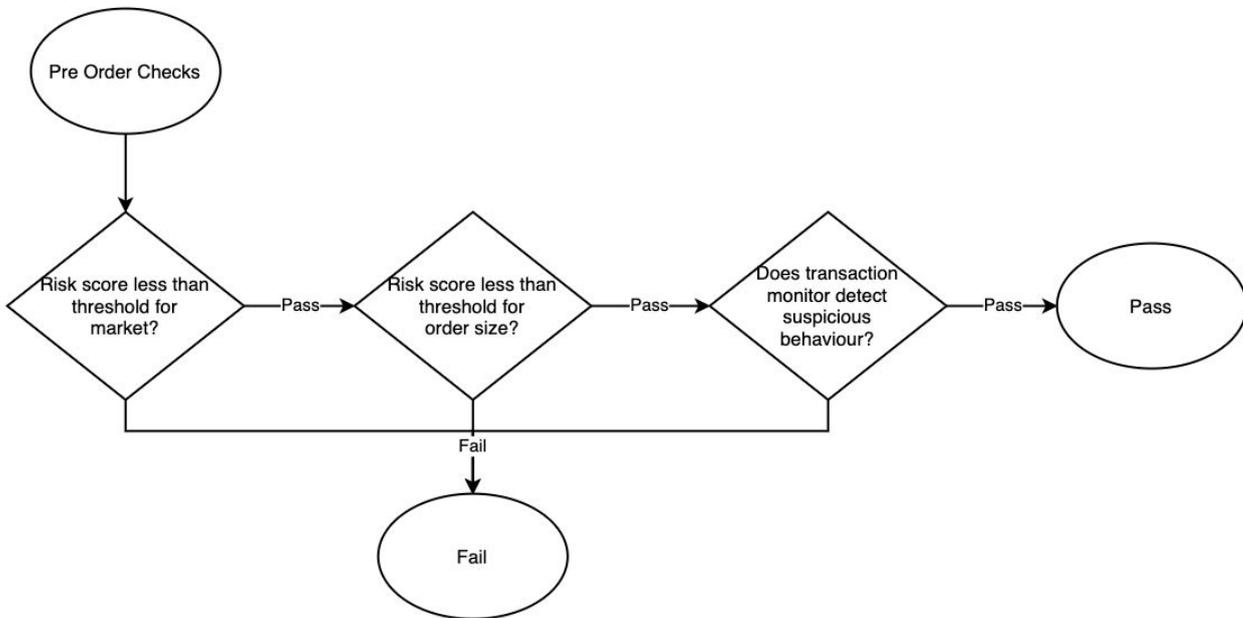


Figure 1.1 Risk Assessment & User Classification

- New user on-boarding terms and conditions will codify all of the above requirements along with various other obligations of the user (the CRP On-boarding Rules), including ongoing compliance with the CRP Terms. Trade will only be executed based on codified rules and regulatory requirements. All suspicious transactions activity will be reported to regulators (STR).

(see figure 1.2 for overview of pre-order checks and order execution life cycle).

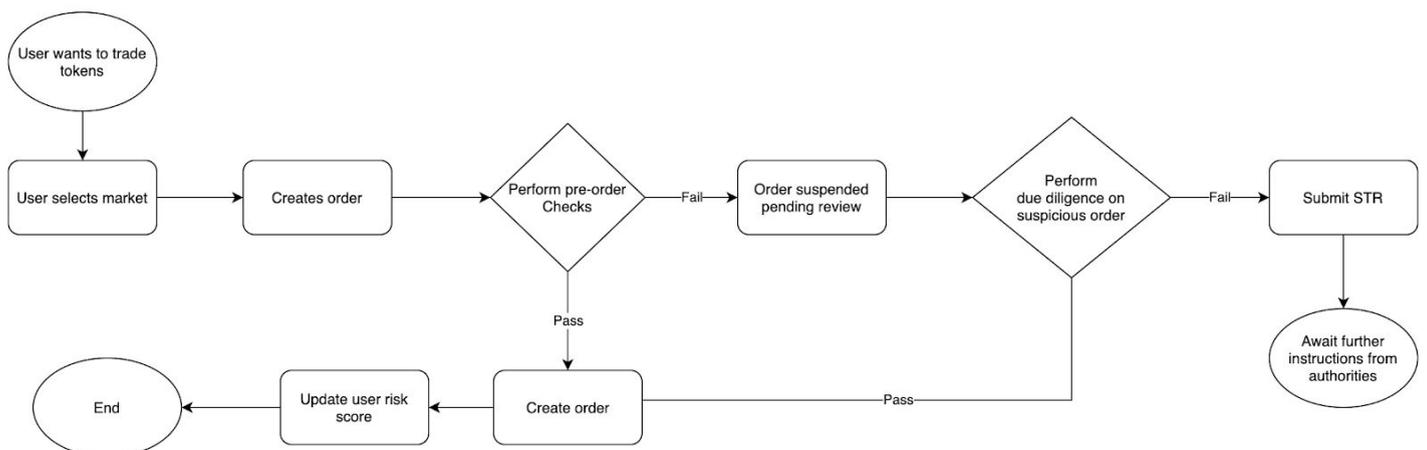


Figure 1.2 Overview of Pre-order Checks

Enhanced Price Discovery, Market Formation and Fairness in Capital Markets

Market transparency is generally regarded as central to both fairness and efficiency of a market, and in particular to its liquidity and quality of price-formation.

Failings by a market operator to ensure adequate monitoring, surveillance and supervision of the platform and its users results in systemic unfairness, lack of transparency and investor protection and breaches of applicable securities law.

The methods for the transfer of beneficial ownership on CTPs often differ from those on Trading Venues. Therefore, rules relating to manipulation or insider trading, and how to enforce such rules, may need to be assessed as new forms of manipulation may occur.

Existing supervisory tools may need to be considered to account for unique issues relating to crypto-assets, such as high price volatility of crypto-assets relative to traditional financial assets, the possibility of trading 24/7,, and the lack of consistent and stable sources of crypto-asset pricing to support market surveillance systems and activities.

Chintai takes its role as a prospective RMO seriously and is already well through the development of a trading framework that will ensure a high standard of market integrity. Additionally, Chintai technology being entirely on-chain allows unprecedented access to oversight of financial markets.

Chintai takes the following measures to account for the aforementioned issues:

- Chintai's proposed use of the InterVASP Messaging Standard will, in addition to ensuring compliance with the FATF VASP Travel Rules, allow it to share pertinent information across the VASP network in respect of trading information and market participants
- Complete transparency of orders and trades on the CRP, including trading volumes and turnover
- The CRP's order routing procedures will be clearly disclosed to regulators and users, applied fairly, and will not be inconsistent with applicable securities regulation (for example including client precedence or prohibition of front running or trading ahead of customers)
- Clear disclosure of all applicable fees charged by Chintai for using the CRP

- A framework of rules relating to the prevention of market abuse, order execution and cancellation will be available to the MAS and users and be applied fairly to all users
- Internal policies and procedures relating to error trades, cancellations, modifications, price asymmetry and dispute resolution that take into the recommended/required approach set out in the MAS RMO Rules
- Suitable mechanisms for monitoring the rules, policies or procedures.
- Clear, easy to understand disclosure statements setting out the rights of participants at each stage of the lifecycle of a trade.

Mechanisms for Liquidity and Price Volatility Mitigation

Due to the early stage of adoption and proliferation of digital assets there is a lack of meaningful liquidity across most digital assets, especially tokenized securities, resulting in highly volatile markets. This also leads to price arbitrage across markets.

Chintai is engaged across the digital asset market space and keeps in close contact with members of their peer group. Chintai's intention is to formalise these lines of communication through membership of leading industry bodies for the sharing of liquidity and market making services between exchanges.

In addition, Chintai is actively participating in the development of OpenVASP protocols to create a standardised messaging/information sharing protocol between exchanges to aid in compliance with FATF's Travel Rules.

Chintai has an advanced token issuance facility that enables the issuer to specify and allocate a proportion of the digital asset token supply into a liquidity pool or Automated Market Maker (AMM) that Chintai can deploy as both a secondary pool market (utilising the Bancor algorithm) and can act as a liquidity provider and arbitrage/market maker to other exchanges as they subsequently list digital asset tokens. This service enables newly issued fungible token assets to mitigate common problems of illiquidity and high price volatility from the outset.

Safeguarding of Client Assets & Security

There needs to be procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

Measures to protect against cyber incidents are particularly important for DATPs due to the use of novel technology and the fact that many DATPs hold participant assets. Security breaches and the exploitation of system vulnerabilities of DATPs and wallets can result in significant losses of investor assets.

The CRP will have in place mechanisms to help ensure the resiliency, reliability and integrity (including security) of its critical systems. In addition Chintai will ensure that it is prepared for dealing with any failures and, in this context, it will establish, maintain and implement its Business practices as follows:

- Where appropriate, perform stress testing and/or capacity planning processes and results
- Put in place suitable quality assurance procedures and performance monitoring of its critical systems including those provided or developed by third-parties
- Put in place governance and change management procedures
- Where appropriate, independent systems reviews to assure that relevant technology standards are met and maintained as intended
- Use a multi-chain DLT and exchange architecture that uses automated restrictions on fraudulent behavior, and multi signature (MSIG) accounts to significantly reduce risk for potential loss, or theft of assets on CRP

Compliance Engine Architecture

The Chintai compliance engine involves encoded checks, restrictions and functions embedded in the *account*, *token* and *chain level*, to ensure automated execution of user activities on the CRP in a compliant manner. All actions are immutably recorded within a multi-chain architecture that will use the EOS mainnet, a public Chintai chain, and private Chintai chain. (see figure 1.3)

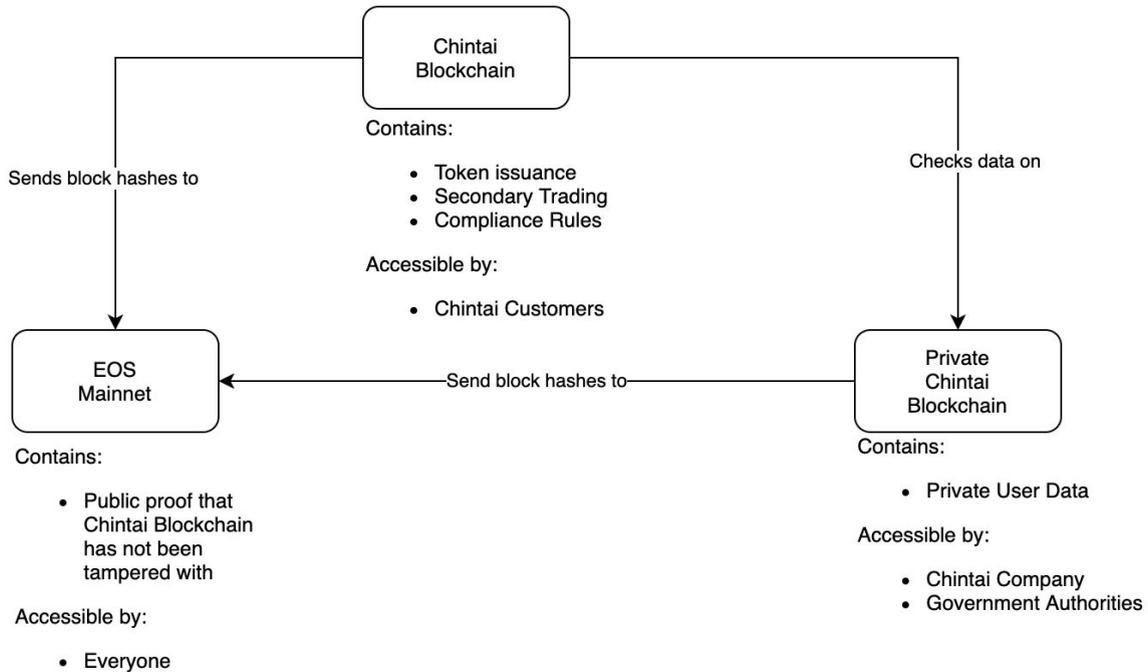


Figure 1.3 Multi-chain architecture

Account Layer

All accounts on the CRP will require KYC/AML and include identifying information about the user, such as jurisdiction, risk score, accreditation status etc.) This information will be stored in a private Chintai chain that is only accessible by Chintai and the regulatory authorities. All of this information is used to cross check controls and restrictions encoded at the token layer to ensure only compliant actions can take place on the CRP.

Accounts without KYC/AML will be restricted to certain services on the platform, such as token leasing and NFT trading.

Token Layer

Tokens issued and traded on the CRP will contain encoded information about a given asset, its corresponding compliance allowances/restrictions, and history of transfers (digital compliance wrapper). Everytime an action is called (i.e. transfer) the digital compliance wrapper will initiate a check in real time to ensure the accounts involved in the action have authorization for execution of that action. Factors for authorizing execution of a given action include user(s) jurisdiction and local compliance rules, user(s) risk score, size of trade, transaction history and suspicion score.

In simple terms, the compliance engine will check 1) Who is this asset transfer coming from and who is the asset being transferred to and 2) what compliance restrictions are on each account. Actions that are not allowed based on cross-reference information encoded in the token and account

levels will not be executed and may result in a STR to be reviewed by compliance authorities.

Chain Layer

The chain level compliance architecture involves three distinct chains that inter-operate to ensure immutability, automated compliance, privacy and security of digital assets.

1) Private Chain

The private Chintai blockchain contains all information specific to customers that is private and confidential (identifying information stored at account level). This information is encrypted and protected by data privacy laws. This chain also stores all reporting and actions we take (i.e. when a suspicious transaction occurs that requires an STR). A complete audit trail is stored for all trades, STRs, and platform actions. The private chain is only accessible by Chintai and regulators. (see figure 1.4 for reports on private chain)

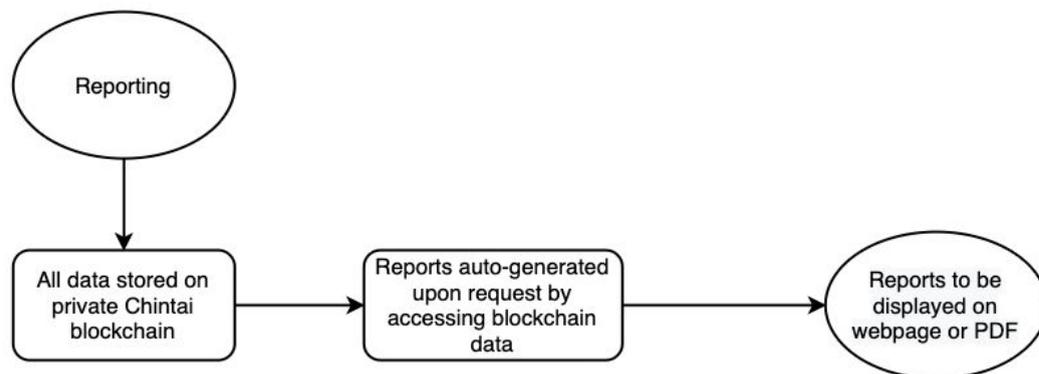


Figure 1.4 Report Generation & Access on Private Chain

2) Chintai Public Chain

The public Chintai chain is the regulated platform whereby users interact directly with the Chintai exchange products and features. This is where trades, issuances and other platform activities are executed through a Chintai hosted user interface (or white label branded as necessary). All markets that have compliance requirements will be accessible through blockchain accounts that have undergone KYC/AML and appropriate onboarding procedures.

All attempted regulated actions on this platform will be cross checked with information stored on the private Chintai chain. If an action is rejected, users will be notified and a reporting protocol will be initiated.

3) EOS Blockchain

The EOS blockchain will receive hashes that are created when a transaction is attempted or executed on the both the private and public Chintai blockchains. This will ensure an immutable, tamperproof audit trail for all actions taken on both Chintai chains.

Chintai Markets & Products

Chintai plans to service multiple digital asset markets that are operating within the CRP framework. Depending on the market, user profile and jurisdictional regulatory requirements, each user may or may not be able to engage in trading or issuance activities on the CRP.

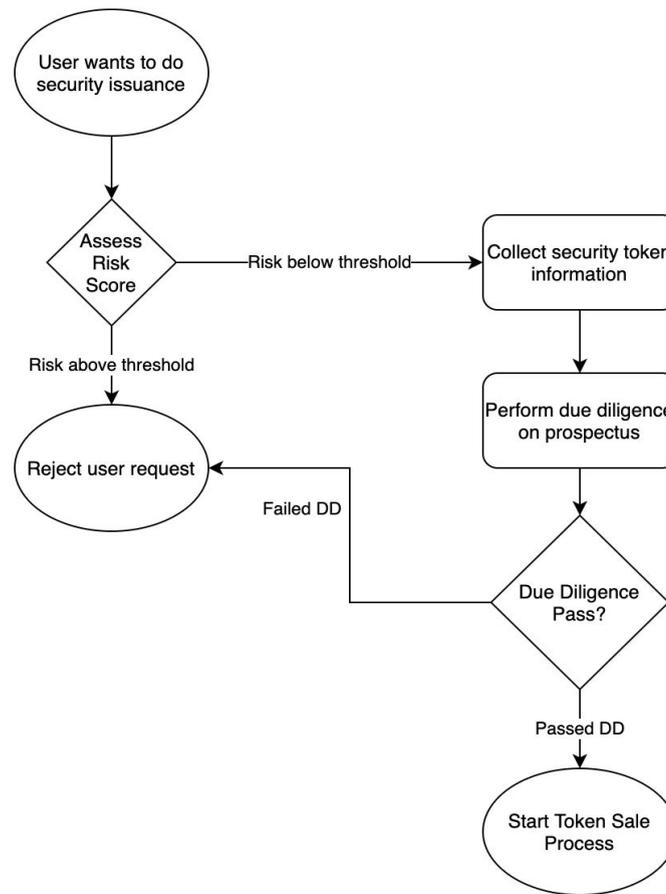
Security Token Issuance and Secondary Trading

Any sale of a security must be registered with an appropriate regulator, or meet security issuance exemptions. This applies to all types of securities, including security tokens, which share characteristics such as paying dividends to holders and assigning voting rights.

Chintai has created a turnkey solution to enable security token sales that include encoded regulatory requirements. These controls can be encoded within security tokens, to provide all necessary checks, controls (e.g. market participants), and reporting required (e.g. standards, tolerances, limitations on market participants).

During STO's, all token issuers will be required to hold and stake CHEX to use the issuance engine and collateralize their raise.

(see figure 1.5 on next page for issuance procedure and checks)



(figure 1.5 showing onboarding and issuance procedures)

Securitized Markets & Products

Due to the flexibility and versatility of security tokens, digital wrappers can be encoded to enable a range of existing and new financial instruments to be created. Chintai anticipates the development of the following asset classes for deployment in the future:

1. Futures
2. Commodities
3. Derivatives
4. Structured Products
5. dBonds
6. Margin trading

Decentralized Bonds (dBOND)

Tokenization of bonds represents the next phase of evolution in a \$100+ trillion market.

dBonds have many similarities with conventional bonds, in that they will be fixed income, regulated instruments, and each represent a form of structured loan made by companies to investors. They will enable the provision of investment and working capital for business and entrepreneurs, along with a new income stream for lenders.

dBonds are a solution for established companies to access capital to invest in their businesses to grow, without needing to sell equity. This can now be done in a fully regulated, compliant blockchain environment for the first time. Tokenization of bonds enables rapid, dynamic bond issuances, low cost trading and payments, automatic collateral allocation and default handling.

Additionally, this innovation has the potential to widen the ability of companies to access investment and development capital, as well as the ability for a wider pool of investors to participate in new markets.

Appropriate controls are intended to be designed in collaboration with MAS, and will be encoded in dBond tokens to ensure the necessary checks, controls and reporting required (e.g. standards, tolerances, limitations on market participants). We anticipate a bond prospectus needing to be produced by all issuers that meets various standard criteria including debt purpose, underlying company/project, financial statements, and details on underlying collateral deposits.

Margin Trading

Margin trading will allow people to use margin pools in order to amplify their potential gains and losses by longing or shorting specific tokens. Using our AMMs, it will be possible to long or short any token relative to any other token directly, rather than being limited to margin trading against only the highest liquidity token pairs.

There will be an opportunity for passive income with any token due to margin trading. As all users of the platform will be capable of adding their tokens to a margin trading liquidity pool, allowing other users to trade with their tokens in exchange for a fraction of the fees collected from the margin traders.

Due to the CHEX token collateral utility (see CHEX Token Utility – Collateral Pool for more details), lending your tokens to a margin trading pool will be risk free.

Fungible Token and NFT Trading

Fungible token and NFT trading will be conducted on the Chintai CRP. The base pair for all tokens traded will be CHEX. Tokens will be made available for trading through traditional order books and AMM's.

Fungible Token & NFT Leasing

Chintai has a modular system to rapidly launch new leasing markets. Any fungible token that has valid utility theoretically has the potential to be encoded with the ability for its utility to be delegated to others. The ability to delegate utility while maintaining custody is powerful, since it decouples the

token price from the utility of the application or network. Furthermore it enables token holders to generate income on otherwise unused token utility.

CHEX holders are uniquely able to stake CHEX to the CHEX utility leasing pool to activate a liquidity incentivization protocol called Smart Matching.

Chex Token Fundamentals

The CHEX utility token was introduced in March 2019, with utility features including fee-reduction, token locking, staking to access the Chintai Merchant Network, and “CHEX Smart Matching”.

The Chintai exchange token uses the symbol **CHEX**. It is hosted on the EOS blockchain. IBC will be used to deploy CHEX onto additional blockchains where Chintai services are relevant. The maximum supply of CHEX is **1bn tokens**, which can never be exceeded.

CHEX was distributed over 320 rounds in a Dutch auction (Apr 8 - Dec 4 2019). Each round dispersed **1,875,000** tokens pro-rata, meaning the tokens in each round were split proportionately with the participants of the round. This approach was taken to help ensure fair price discovery and a decentralized token supply.

Supply Allocation

- 60% was distributed in a 240-day KYC auction (certain geographic regions including the U.S and China, and countries with international sanctions were excluded)
- 20% distributed to founders, vesting over a 2 year period 2019-2021
- 10% reserved for bug bounties and project advisors. Project advisors will be subject to the same 2 year vesting schedule as founders
- 10% reserved for strategic affiliate partners and to encourage investment into Chintai ecosystem development, particularly the Merchant Network

Chex Token Utility

CHEX tokens have multiple utility features designed to give holders security controls, reduce fees, and provide opportunities for rewards. Staking CHEX enables three platform functions (Smart Matching, access to compliance enabled issuance engine, and access to the Chintai Merchant Network).

CHEX will also have a leasing market as more demand arises for CHEX utility. Staking CHEX in the leasing pool will be required to access rewards through the Smart Matching protocol.

Reduced Fees

Paying platform fees with CHEX results in reduced fees when compared to paying platform fees in other tokens or currency.

Stake - Merchant Network

Businesses can leverage or whitelabel the Chintai exchange and compliance engine to set-up custom markets for a multitude of asset classes using our infrastructure and/or liquidity.

Merchants will be required to stake CHEX in order to receive the fees from the trading activity in a given market. This is required to stop merchants from setting up as many marketplaces as they like, and therefore having the potential for abuse.

If a merchant does not stake the full required amount, then a fraction of their fees *could* be burned proportional to the missing amount of CHEX to be staked.

Stake - Issuance

All token issuers will be required to hold CHEX as collateral in the form of a bond throughout the distribution event. If an issuer is unable to provide collateral, Chintai will loan collateral to them. This loan will be paid back in full before the token issuer receives proceeds from their issuance raise. In the case the issuer is unable to fulfil their obligations, the collateral will be used as insurance to recuperate any losses for investors.

Stake - Smart Matching

Chintai has multiple live markets and products that generate fees. This includes leasing markets and Chintai Automated Resource Management (Charm).

Chintai transaction fees can be derived from:

- Chintai leasing markets
- Merchant Network
- NFT leasing/trading
- STO's
- dBond issuance
- dBond secondary markets
- Chintai Regulated DEX
- Chintai Automated Resourcing
- Chintai DSP (DAPP Network)

Every market or product that produces revenue through fees will allocate a portion of those fees to capitalize the "CHEX Smart Matching incentive pool".

This pool will be used by CHEX token holders to autonomously incentivize token utility in token leasing markets.

Additionally, a portion of the CHEX Smart Matching incentive pool *could* be burned (permanently retired from circulation) to incentivize other behaviors that benefit platform participants and secure platform integrity (such as the issuers or Chintai Merchants that need to stake CHEX as collateral).

When CHEX holders add their CHEX utility to the CHEX leasing pool, they will simultaneously activate a process called “Smart Matching”.

After CHEX holders add their CHEX utility to the CHEX leasing pool for longer than 30 days, a portion of CHEX in the Smart Matching Incentive Pool will be used to autonomously attract and inject liquidity into token utility leasing markets such as DAPP, WAX, BOID etc.

CHEX holders are rewarded by the leasing fees that result from liquidity being lent through this process. Effectively, CHEX holders can become autonomous market makers for all Chintai token leasing markets while providing CHEX utility to platform participants that need to borrow CHEX utility.

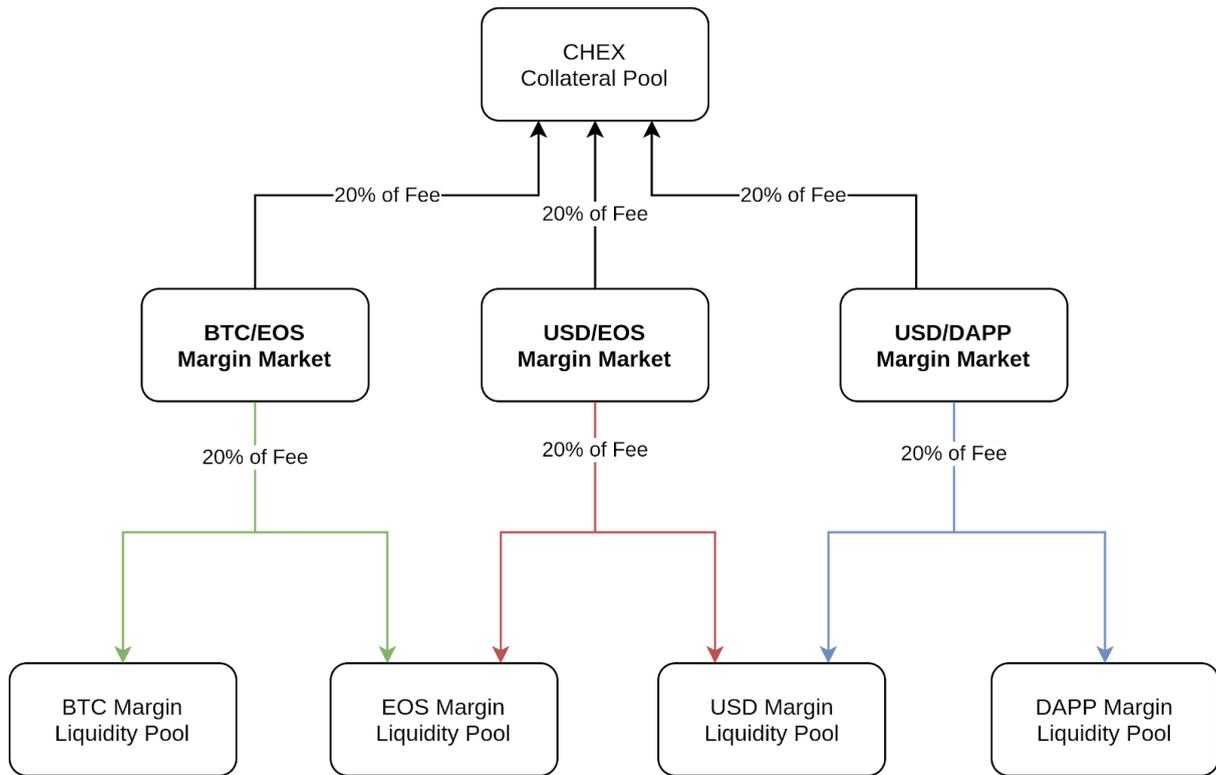
The primary objective of this mechanism is to ensure low-cost access to token utility across the platform. Token utility leasing has shown to enable efficient access and use of blockchain resources, which at times become cost burdensome and difficult to use for maximum benefit.

Stake - Collateral Pool

CHEX holders will have the option to stake their tokens to the collateral pool for high risk-high reward opportunities. The collateral pool will decouple the risks normally associated with offering loans using other tokens.

For example, users of Chintai will be able to lend their tokens to margin trading pools, and will receive fees from margin traders for doing so. Usually, this involves an element of risk, because it is possible that the margin trader can not fully pay back the borrowed liquidity. We can remove this risk for the margin pool lenders by shifting it to a special collateral pool consisting of CHEX token holders. In the case of a margin trade causing a default, the lost funds will be taken from the CHEX collateral pool.

The incentive to add your tokens to the CHEX collateral pool is the high reward that would be received from margin fees. A fraction of the fees from every margin pool would be converted to CHEX and paid as rewards to the CHEX holders who take the collateral risk.



Fees are just for example and subject to change

Merchant Network

The Merchant Network is a means for market makers and entrepreneurs to develop out Chintai and share in its success. Merchants are autonomous entities that can generate revenue by embedding Chintai products into existing dApps or other mediums of access.

Anyone can be a Chintai merchant. Merchants are able to establish a fee at their own discretion and host leasing markets, exchange markets, NFT trading/leasing and conceivably bond markets, embedded into existing dApps with an iframe (white labelled product that appears fully native). Chintai will also be providing an API in order to enable market creation and integration into a merchant’s website or application.

This will enable Merchants to curate their own marketplaces for leasing and trading, and focus on the user experience and other unique value add functions. All of this activity fuels the CHEX ecosystem through the underlying market fee structures outlined below.

Example

Fees on leasing markets are described in terms of the percentage of the interest paid/received. For example, if 100 TOKEN is leased for 5% interest rate,

then the borrower would pay 5 TOKEN to the lender (without fees). If the total fee for the borrower was 5% and for the lender was 10%, then the borrower would actually pay 5.25 TOKEN, and the lender would only receive 4.5 TOKEN.

All merchants except the CHEX merchant must:

- a. Have a parent merchant
- b. Set the fees
- c. Set an upper limit on the fees of all child-merchants.

This mechanism allows a free market and competition to develop between merchants who want to profit from the utility of the Chintai engine. Anticipated use cases for merchants include:

- Creating competing exchanges
- Creating a marketplace/platform for digital asset leasing
- Having a simple widget on your dApp website that lets you lease more tokens for a fixed period of time (behind the scenes, this widget is creating a market order on the exchange)
- Forcing anyone who uses your own platform to pay you a fraction of the fees earned for their own system (for example, a gaming platform forcing game developers to pay a fraction of the fees)

In the figure example below, all merchants share the same marketplace and order book but the fee charge and distribution depends on where you made your order. If you made your order through the “Character’s exchange merchant”, and your order had an interest rate of 100 CHEX tokens, then your fee would be distributed as such:

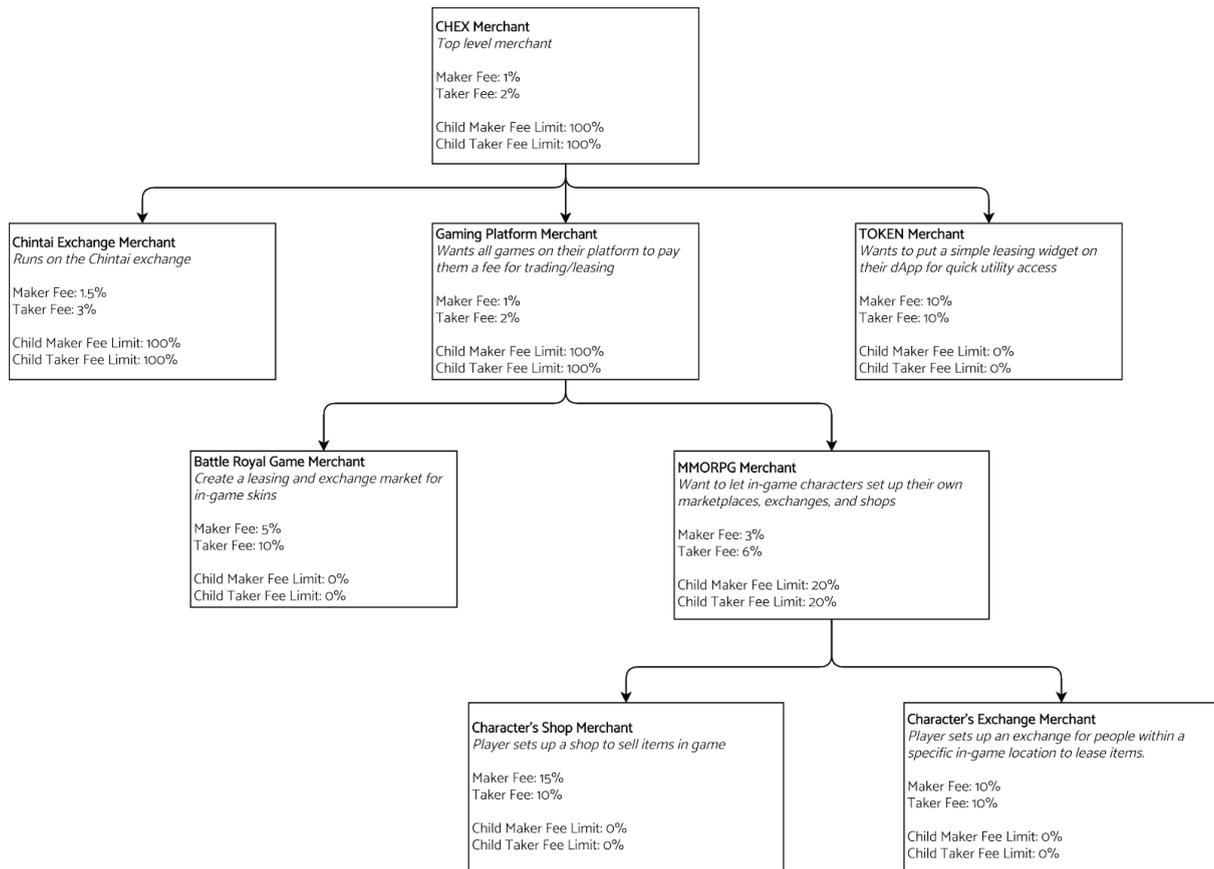


Figure 3: An example of how the merchant scheme might look

Merchant receiving the fee	Maker Fee	Taker Fee
Character's Exchange Merchant	10 CHEX	10 CHEX
MMORPG Merchant	3 CHEX	6 CHEX
Gaming Platform Merchant	1 CHEX	2 CHEX
CHEX Merchant	1 CHEX	2 CHEX

Merchants will be required to stake CHEX in order to receive the fees from the trading activity for that market. This is required to stop merchants from setting up as many marketplaces as they like, and therefore having the potential for abuse.

If a merchant does not stake the full required amount, then a fraction of their fees *could* be burned proportional to the missing amount of CHEX to be staked.

Differentiating factors and competing platforms

At present there is very little in the way of properly regulated DATPs in SE Asia. Specifically, whilst there are operators holding one or more authorisations around AML compliance or money services, with the exception of iStox (discussed below) there is no DATP authorised to conduct activities of a scope as wide as a licensed RMO.

Whilst there is real momentum in the DeFi space, particularly around trading platforms facilitating DeFi activities, most of these platforms are not regulated, do not conduct KYC/AML procedures, have unaudited or poorly maintained systems, little or no capital backing and pose potential of serious risks to investors.

The primary regulated digital asset trading platform domiciled in Singapore is iStox. iStox is a successful graduate of the Sandbox Express and represents a new standard in regulated DATPs. As such, Chintai will be ensuring that its own internal compliance frameworks and user-facing processes are of the same or higher standards than those of iStox.

In addition, the Chintai Regulated Platform is also intended to function as the same multi-faceted operation as iStox thereby creating efficiencies of user experience for investors, traders and issuers.

However, there are several key aspects of Chintai's model that we believe materially distinguish the CRP from current offerings in the market:

- Full on-chain tokenization and digital asset issuance
- On-chain compliance rules engine that enforces jurisdictional rules and controls at the token, account and chain level (dependent upon configuration requirements)
- Bespoke rules configuration by digital asset issuers that enables dynamic assets without specific regulation to be assigned controls that go above and beyond existing compliance requirements
- Full on-chain secondary market formation with optional issuer liquidity assignment to form liquidity pools that can act as an automated market maker (AMM) and assist the formation of liquidity on other exchanges listing the digital assets.
- Automated transaction monitoring and reporting on-chain
- Automated client and regulatory reporting utilising the blockchain

- Custodial services for digital assets
- Ability to interface with and leverage external KYC/AML and wallet/custody providers
- Automated, instantaneous (sub-1 second) settlement process in the trade lifecycle

Chintai Resources

Website:

<https://chintai.io>

Telegram:

<https://t.me/ChintaiEOS>

Email:

hello@chintai.io

Medium Articles:

<https://medium.com/@ChintaiEOS>

Twitter:

<https://twitter.com/chintaiEOS>

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