

# **BLOCKQUAKE™**

**CREATING SEISMIC SHIFTS™**

**BlockQuake Exchange**  
**WHITEPAPER**

**Version 2.0**

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## ABSTRACT

BlockQuake was born out of concerns with the current state of existing cryptocurrency and token trading platforms and the lack of a transparent, trustworthy, and comprehensive trading platform.

Our New York City based team has decades of experience from traditional finance backgrounds. As financial service professionals, our team spans management and advisors across the value chain, from technology, regulatory, investment banking, blockchain, trading and risk management, with global organizations. In establishing BlockQuake, we have partnered with industry leading vendors and advisors that have extensive networks and connections to financial institutions that are expanding into this space. BlockQuake is uniquely positioned to be a leader as the future dictates a convergence of traditional finance and cryptocurrencies beyond just trading cryptocurrencies and tokenized securities and other digital assets. It is our DNA to establish a concrete foundation globally and we intend to pursue US SEC/FINRA and CFTC registrations, broker-dealer and ATS licenses, and a BitLicense.

Blockchain technologies and digital assets based on blockchain technologies (such as cryptocurrencies, tokens and other instruments recorded using blockchain technology) have the potential to be groundbreaking. But these technologies are still relatively new and the complexity of acquiring, holding and selling such assets, combined with security concerns and difficulties with identity verification, can be a burden for many potential users. For some, this burden may be a barrier to entry.

We believe there is a strong and growing demand for well-structured, simplified, secured cryptocurrency technologies and platforms that support non-technical users. We also believe that the investing community is interested in trading when and what it wants in an environment that will permit investors to manage their investments and cash in a manner similar to what investors experience when using a standard brokerage account, with full transparency.

BlockQuake aims to be a trading platform that retail and institutional investors and traders can trust with confidence by becoming a secure, regulated, and stable cryptocurrency and digital asset trading platform providing, among other things: (i) improved login security protocols, (ii) the capability to handle a greater, concurrent load with less downtime, and (iii) focus on compliance with country-specific regulations.

In this whitepaper, BlockQuake will cover the foundational elements of the platform as well as its business strategy, which we believe to be our recipe for success. BlockQuake will also look at the guidelines for future evolution of trading, introduce proposed aspects and features, and examine the potential macroeconomic benefits offered by this groundbreaking technology.

Simplicity, security, cost-effectiveness, speed, trading efficiency, transparency, and client access to capital are our priorities.

## INTRODUCTION

BlockQuake is a FinTech company formed in 2018 that aims to address a need in the blockchain and cryptocurrency communities. We are a diversified company that is focused on the build and development of a centralized, regulatory-driven cryptocurrency trading platform. In addition to its exchange platform, BlockQuake intends to add future projects via the creation of multiple companies and subsidiaries. Some of these targeted future expansion companies and projects include, but are not limited to: (i) a cryptocurrency bank via acquisition, joint venture, or other partnerships, (ii) a media conglomerate covering the blockchain and cryptocurrency communities, (iii) a research and advisory firm assisting cryptocurrency traders, (iv) a private equity venture capitalist arm to assist startups in blockchain and cryptocurrency, and (v) a debit card linked to investment accounts for consumer use. These projects are in the planning stages and there can be no assurance that any of them will come to fruition.

The BlockQuake team includes advertising and marketing professionals, attorneys with local and international expertise, certified public accountants, auditors, finance and business development professionals, compliance and regulatory specialists, developers of trading exchanges/platforms, trust and estate administration, real estate professionals and website developers, among others. Our regulatory specialists have expertise with Anti Money Laundering (AML) and Know Your Customer (KYC) requirements, cyber security, and other technology. Collectively, we have extensive experience in building and developing trading exchange platforms and understanding the country specific regulatory environments. Compliance is at the forefront of our business because of our prior experience.

BlockQuake aims to become a one-stop shop for cryptocurrency traders. BlockQuake endeavors to provide layers of security for login and withdrawal of users' digital assets, as well as integration of wallets across the top cryptocurrency exchanges into our platform. BlockQuake seeks to offer many altcoins with real-time pricing by working with best in-class liquidity providers and market makers to maintain liquidity. BlockQuake also seeks to offer additional base cryptocurrencies to give traders more choices and to reduce friction as they move between various digital assets. BlockQuake intends to develop the ability to offer accounts to non-individual entities, which include corporate, trust, ERISA, and other retirement accounts.

## THE CURRENT STATE

### ***Regulatory Risk***

The cryptocurrency and digital assets markets are in the infancy stages of this sector and these problems present us with opportunities to bring maturity, trust, transparency, confidence, and growth to this space.

Currently, many cryptocurrency and digital asset exchanges are operated in a way that does not subject them to (i) regulations that govern traditional stock and commodity exchanges and (ii) many of the regulatory bodies tasked with the responsibility to protect markets and traders. Some exchanges do not make public the direct and indirect ownership and other key details about the exchange, are reluctant to share information (or have not engaged in adequate due diligence) about the tokens listed and traded on that exchange, and are organized or located in jurisdictions known for being less rigorous when it comes to investor protection.

Regulatory agencies worldwide are taking a keen interest in cryptocurrencies and exchanges on which cryptocurrencies and other digital assets are traded. Many of these agencies are taking the position that existing regulations and laws for traditional investment exchanges and products may be applicable in whole or in part to the cryptocurrency space, and as such, have begun enforcing those same regulations and laws. While the increased attention from regulators has led some to believe that there is higher risk in executing business in the space, BlockQuake sees this as a window of opportunity. Many of the current cryptocurrency and digital asset exchanges are being run by individuals unfamiliar with the regulatory space. In contrast, BlockQuake's development team collectively has decades of experience working on financial technology and trading systems for major global institutions in the forex and equities markets, in addition to its experience in cryptocurrency markets. We intend to work with vendors, attorneys and governing bodies to create an automated, regulatory-driven exchange platform.

BlockQuake's team members have regulatory experience with investment products and financial services business units with respect to both operations and technology. BlockQuake intends to operate systems and policies that are compliant with applicable regulations, including but not limited to: (i) KYC and AML regulations, (ii) the U.S. Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS), (iii) the EU General Data Protection Regulation (GDPR), and (iv) the revised Markets in Financial Instruments Directive (MiFID II).

### ***Trading Inefficiencies***

There is a great deal of inefficiency when trading cryptocurrencies on many of the current exchanges, costing investors and traders both time and money. For example, any trader who

wants to purchase cryptocurrencies on an exchange with fiat currency would first need to introduce fiat currency into the system via an exchange that accepts fiat payment, since not all exchanges do so. In addition, cryptocurrencies generally are traded in pairs (such as BTC/ETH, meaning that on a given exchange an investor could purchase or sell bitcoin for Ether or vice versa) and exchanges generally only trade a limited number of such pairs. This means that a trader may need to first buy bitcoin with fiat at one exchange and then move that bitcoin to another exchange to trade that bitcoin for the alternate coin (“altcoin”) the trader is interested in. In doing so, the trader would incur a transaction fee to convert fiat to bitcoin, then incur another transaction or withdrawal fee to move the bitcoin to another exchange, and then incur more fees to trade their bitcoin into the altcoin in which they were interested. In addition, any cryptocurrency transfers between exchanges can experience a significant delay, creating time risk and opportunity cost, causing customers to miss their opportunity to acquire their altcoin of choice at a more favorable price.

If the customer is interested in other altcoins that sit on different exchanges, this problem is further exacerbated by requiring them to manage accounts across multiple exchanges and multiplying the impact of the potential adverse scenarios described above.

BlockQuake intends to alleviate these trading inefficiencies by presenting a trading platform that allows for fiat conversions, hosts a significantly higher number of trading pairs, and is designed for larger volumes of traffic without noticeable decrease in settlement speeds.

## CONCERNS

### *Cyber Security*

Security currently is a major problem with centralized cryptocurrency exchanges. There seems to be a breach or hack happening every few months on many of the existing cryptocurrency exchanges. However, the underlying blockchain infrastructure of the individual coins and cryptocurrency exchanges generally remains intact; that is, most often the breach or hack occurs at the exchange level, not on the blockchain that govern the asset or assets. When examined further, basic security principles that we are used to seeing in traditional financial markets are missing on many existing cryptocurrency exchanges. Decentralized exchanges by their very nature face fewer cyber security concerns, but instead pass the risk to the customer, who is often even more susceptible to hacking.

### *Downtime*

Another problem is downtime performance. Many existing cryptocurrency exchanges are not able to handle increased trading volumes and increases in customers, which results in these

trading platforms experiencing downtime. Some cryptocurrency exchanges have been shut down for as long as a month while they attempt to devise a solution to handle the increased load on the system. Regardless of how long it takes an exchange to resume operations, the investor faces the possibility of unexpected losses and the inability to initiate or complete transactions that could result in meaningful gains. In these situations, investors are often left with no recourse.

### ***Lack of Options***

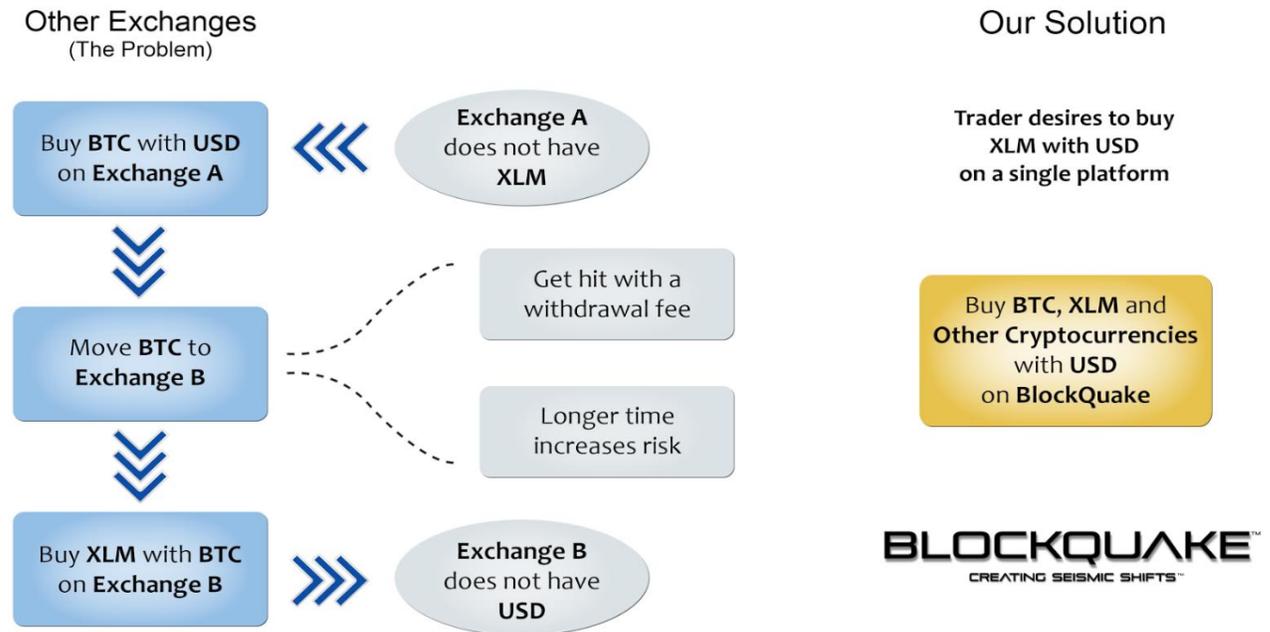
Many exchanges lack a variety of cryptocurrencies, forcing investors to open accounts across multiple exchanges to perform their desired investment transactions. This can increase the cost of investing, both due to an increase in fees and an increase in the time it takes to execute the desired transaction, as detailed above.

### ***Barriers to Enter Trading Markets***

Most exchanges can only accept individual accounts or only accept a limited number of fiat currencies, which precludes significant investment from other entities seeking to diversify their asset allocations.

BlockQuake intends to permit a wider variety of account types, fiat currencies, cryptocurrencies, tokens and securities (including tokens that are securities and securities that are tokenized) by applying for a broker dealer license and an alternative trading system (ATS) license.

## PLATFORM HIGHLIGHTS



- Intending to support:
  - many fiat currencies (e.g., USD, CAD, GBP, EUR, JPY, AUD, SGD, KRW, and more)
  - hundreds of cryptocurrencies
  - hundreds of pairings
  - many base pairings, including more common (e.g. BTC, ETH, USDT, LTC, etc.) and less common (e.g. XLM, ETC, TUSD, etc.) base cryptocurrencies
- Offering an aggregated liquidity pool through Secure Digital Markets (SDM), one of the top third party market makers in the cryptocurrency space that also aggregates from other top market makers such as Blockfills and leading exchanges using market-making technology retrofitted from the FX industry
- Offering both Contract For Difference (CFD) liquidity and deliverable assets for a wide range of cryptocurrency assets
- Providing additional market liquidity via a FIX API
- Planning to implement real-time news sentiment indicators for cryptocurrencies
- Offering the following order types and options, with more to follow
  - Market
  - Limit - Good Til Canceled
  - Limit - Fill Or Kill
  - Limit - Immediate Or Cancel

- Limit - Good Til Date
  - Limit - Day
  - Stop - Good Til Canceled
  - Stop - Fill Or Kill
  - Stop - Immediate Or Cancel
  - Stop - Good Til Date
  - Stop - Day
- Trading platform based on high-frequency trading (HFT) equities technology for scalability, performance, and security. The matching engine has been successfully tested at over 10,000,000 transactions per second.
  - Continuing to undergo periodic penetration testing
  - Expecting to have translations for at least 12 languages
  - Having both a mobile and desktop-friendly user interface
  - Utilizing PrimeTrust, an SEC qualified custodian, and Fireblocks for hot and cold wallet storage solutions.

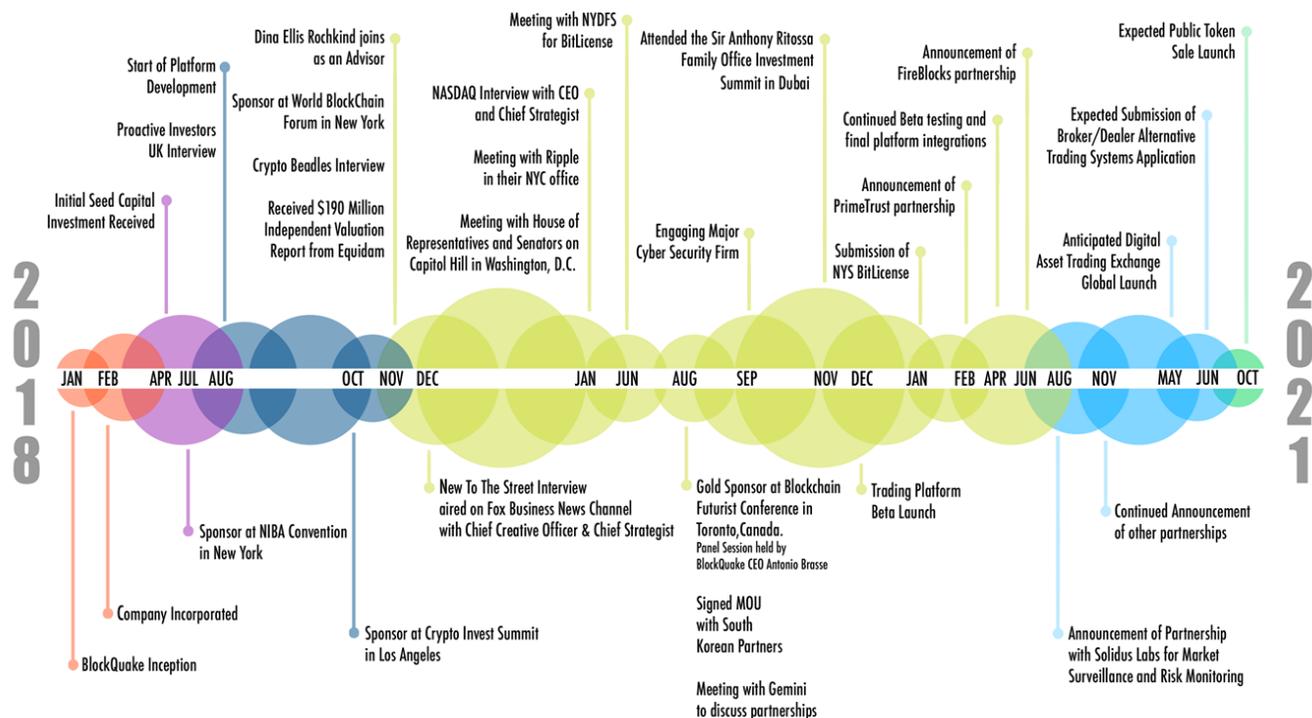
BlockQuake is designing its trading platform as a high-frequency trading system and matching engine based on technologies already used in equities markets. BlockQuake believes that our use of subject matter experts who collectively have decades of development experience working in the equities, forex, and cryptocurrency markets, and that have developed systems and components around the globe for major financial institutions, banks, brokerages, and exchanges, including NASDAQ, will set this trading platform apart from other trading platforms.

It is our intention that, upon initial launch or soon thereafter, BlockQuake's trading platform will allow for multiple fiat currencies and cryptocurrency digital asset pairs. We intend for the platform to be fully compliant with applicable regulatory considerations that come with accepting fiat currency, and anticipate adding additional fiat currencies as an enhancement to the platform.

## **MISSION STATEMENT**

To be the unified trading platform for digital assets that is trusted by all facets of the trading and investing community.

## TIMELINE



## VISION

BlockQuake’s first line of business to be developed will be a centralized trading platform, which BlockQuake intends to become a one-stop shop for cryptocurrency traders and investors by providing alternative investment options to traditional investments, pooled investment vehicles, and commodities. BlockQuake aims to:

- Become the leading platform and access point for trading multiple financial assets based on blockchain technology by partnering with an SEC qualified custodian and a transfer agent that is registered with the SEC;
- Become the leading cryptocurrency exchange for blockchain and traditional companies to raise funds from cryptocurrency communities;
- Become the most cost-effective exchange for investors and traders, with limited downtime and higher levels of performance and transparency;
- Become a highly secure platform provider for trading and money movement technology.

As part of our efforts to provide enhanced security in and around our platform, BlockQuake may be engaging specialized vendors soon after initial launch to further secure the cloud infrastructure encapsulating the exchange. Our development team collectively has decades of experience working on financial technology and trading systems for major global institutions in the forex and equities markets, as well as experience in cryptocurrency markets and utilizing SEC qualified firms for custody purposes.

BlockQuake is also working towards being the industry standard for global regulatory compliance and transparency by going through the process of obtaining licensing and authorizations as well as building a foundation to further compliance and transparency. Some of our goals include:

- transparency in reporting and use of a recognized custodian for trading on our exchange for institutional and individual investors;
- enhanced lending via credit / margin using cryptocurrency (where allowed and after obtaining any required regulatory approvals);
- building KYC and AML protocols into our ecosystem;
- pursuing CFTC registration for commodities and futures trading;
- applying for a broker-dealer and ATS licenses, in order to enable the trading of over-the-counter securities, including certain tokens; and
- applying for a New York State BitLicense.

## ***Marketing Plan***

Instead of relying solely on social media and “word-of-mouth” advertising or viral internet-based marketing, we intend to engage in additional marketing activities, which may include, but are not limited to the following:

- utilize digital, social media, and offline marketing channels in promoting the BlockQuake Exchange;
- engage marketing and PR firms to facilitate interviews with traditional and non-traditional financial media outlets in the U.S. and other target markets;
- develop relationships with influencers, video bloggers and personalities in the crypto space to obtain interviews and reviews;
- develop token offering referral programs;
- cultivate broker-dealer and investment banking relationships;
- develop partnerships with crypto-education groups to grow our customer base;
- participate on speaker panels as subject matter experts in the cryptocurrency/digital asset space; and

Because Asian markets represent a large percentage of the global cryptocurrency trading volume, we believe that actively seeking involvement from those markets in our exchange will not only increase our company's bottom line but it will also increase liquidity by creating a more global trading community.

We intend to market aggressively within the Asian markets to spread the word virally about our exchange. We are currently utilizing a "boots on the ground" approach and our team has developed business relationships in select target countries including South Korea, Japan, and the Philippines to name a few.

Additionally, the Latin American (LATAM) markets represent an emerging market for the cryptocurrency space. It is a region, based on market data, that represents significant potential, however, remains mostly untapped. BlockQuake will aggressively be pursuing this market, bringing easier access to the crypto markets through our fiat on ramps to the general population.

## LOOKING FORWARD

BlockQuake believes that excellent opportunities exist for centralized cryptocurrency trading platforms. While the current cryptocurrency market represents less than one percent of the global economy, we expect it to grow significantly due to several factors: maturing of technology from both a trade execution and a security perspective, enhancement of end users' experiences, overall trading growth, and a wider adoption of blockchain technology.

We plan to be a market leading platform by implementing the following strategies:

- targeting new markets such as institutional investors, including the trillion-dollar retirement market
- building out our corporate ecosystem with services that complement the exchange business, such as tax services and investment research arms
- increasing service offerings in the future, such as debit cards via its trust and banking partnerships, and acceptance of the QuakeCoin token as a form of payment in select retail outlets internationally
- onboarding other tokenized asset classes, including, but not limited to, real estate, precious metals and jewels
- handling custody of both hot and cold wallets
- exploring advanced trading features such as spot and margin trading in allowed markets
- expecting to file patent applications

It is important to note that many of these activities require regulatory approvals and licenses, and our ability to implement some of these strategies is subject to us being able to obtain such approvals and licenses, which we may not be able to accomplish.

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Any entities of BlockQuake and officers and employees thereof shall not be liable for your loss of your cryptocurrency digital assets in BlockQuake after it is transferred to you by any reason including but not limited to your failure to maintain or backup an accurate record of your password or password cracking by somebody due to your poor maintenance of your password.

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