



ITOChain

A Smart Trading Platform

WHITEPAPER v1.0

ITOChain offers smart trading platform for safe and secure trading using blockchain managed by www.ITOCHAIN.org

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(I) Project Introduction

According to the latest Forex (foreign exchange) market report by the Bank for International Settlements (bis.org), currently the daily average trading volume is around 5,300 – 6,000 billion USD. With the continuous development of the industry, social trading has become increasingly common, and social trading networks, thanks to the booming IT industry, depending on the platforms that are more advanced and more concentrated, together with a completed trade stimulating and sharing mechanism, have become a trans-platform Forex trading circle with investors, traders, agencies, and brokers as the main subjects.

Social trading, or community trading, is a third-party social platform bridging trading experts and novices, as well as investors and brokers, thus radiating old-fashioned copy trading through the Internet. Based on social trading platforms, the starters or the clients who are unwilling to trade in person could observe and track the trading strategies of other professionals to make profits by copying. At the same time, the veteran traders can exhibit or even sell their strategies, thus achieving both fame and fortune, while for brokers, they can take it as a value-added service, to develop new clients and enhance the client loyalty.

Generally speaking, there are two types of copy trading. One is building FIX protocols based on different systems (Ctrade, SiriX, XTB, FXCM, FXclub, Zulutrade, and DGCX all have private copy trading software systems), and the service providers are required to cooperate with traders or the Exchanges. However, the other one involves API interfaces that can only be based on MT4 and MT5. Applying the MetaQuotes Software, investors can start copy trading as long as they adopt the MT4 and MT5 accounts, free from any hassle of cooperating with traders. This is because the MT4 and MT5 are OSS (open-source software), so if an investor has a firm account, it will be possible to conduct copy trading based on the two systems abovementioned.



Advantages of Copy Trading

Copy trading enables those who are less skilled or with limited time to make profits, and includes more people into the trade. In addition, it gives outstanding traders the opportunity to present their ability and the channel for them to make profits by providing signals.

However, in the actual process, there might be a scenario in which the professional trader makes profits while the follower suffers losses. One probably reason is the high-frequency trading, on which the delay usually has a severe impact; and another reason might be the trading strategy used. For example, the Martingale strategy is difficult for the followers to get hold of.

The third reason is the slippage, i.e., the risk of liquidity. If a huge number of people are copy-ing, the trade volume will be enormous, and the delay of liquidity will be inevitable.

Then you might undergo loss while watching your professional counterpart to rake in money. Therefore, the risk of copy trading can be summarised as below:

Risks of Copy Trading



DELAY



LIQUIDITY



YIELD CURVE



MORAL RISK

- **Delay.** Delay may occur in the transmission, which might be even more serious if it is a trans-platform one. However, similar to slippage, delay may cause losses, but sometimes, it can bring wealth as well.
- **Liquidity.** Among all algorithmic trading models, one is to split a big deal into countless smaller ones which are then put onto the market to circumvent price disadvantages caused by huge deals. However, copy trading actually packs small deals into a big one, so theoretically speaking, the price might be unfavourable, especially if it is on a same platform.
- **Yield Curve.** Though MT4 is reputed to have the function of parameter optimisation, only exhaustion mode can be supported, which might be at risk of over-fitting. That is to say, the strategy curve suggested by the advisor can look promising, but it probably indicates nothing but the historical figures, meaningless in real trading. As a result, investors may mis-estimate the odds of their strategies.
- **Moral Risk.** The risk is the possible relationship of interest that exists between copy trading platforms and the brokers behind them.

Mission and Vision

Based on our understanding and experience in Forex over the years, ITOChain is aimed at building a copy trading social platform with the highest credibility in the field considering the features of de-centralisation and information unchangeably of the blockchain technology. According to a report from BI Intelligence, it is expected that by 2020, the returns can exceed the 8,000 billion dollars of the traditional robot advisor area.

Positioning of ITOChain

The token of our platform is Initial Trader Offering Chain (ITOChain). Based on the blockchain technology, ITOChain is committed to build a smart copy trading social platform that is safe, transparent and trustworthy. Rather than a Forex broker platform, ITOChain aims at providing investors with copy trading service and connecting together brokers, followers and traders. Moreover, ITOChain is not a traditional copy trading platform. It applies decentralised blockchain technology, which is different from the Server-Client mode widely used by traditional platforms, so as to get rid of the trap of reliability prevalent in single-centre services. Blockchain is a de-centralised and unchangeable data storage technology with distribution and chain as the characteristics. Its core value is to create a secure and credible system that enables organisations or individuals who do not trust each other to interact information and data with trust in the absence of the arrangement by any authorised central organisation.



Business Mode of ITOChain

Traders are in high demand. Quoted from *Forex Patterns and Probabilities Trading Strategies for Trending and Range-Bound Markets*, over 99.99% amateur retail Forex trades are in deficit, and only less than 0.01% professional traders make profits continuously. On the ITOChain architecture, the B End docks with different brokers, and ITOChain is one of the partners of them. The C End docks with investors, among which there are traders providing excellent strategies. For brokers, ITOChain can bring them loads of investors, and for traders, ITOChain bring more followers, while for investors, they can proceed with following or trading after opening the account at the recognised brokers'. ITOChain is completely free for the C End users, and investors can choose whichever brokers they like. It controls the brokers by established rules and smart contract, while the blockchain creates a safe and creditable system, ensuring that the brokers and advisors on the chain are trustworthy.

ITOChain is devoted to build a professional trader offering social platform with the help of blockchain technology. For brokers, ITOChain helps them to develop business; for users, it helps increase the probability of making profits. On this platform, the public, transparent and creditable trading data is the most valuable treasure. As time goes by, we believe that even more brokers will access it to contribute to the continuously stable and safe appreciation of fortune management worth 2,200 billion RMB in 2020.

(Source: BI Intelligence)

(II) ITOChain Technology Architecture

1. The Development of Blockchain Technology

In 2008, the financial crisis triggered by the subprime mortgage crisis in the United States shocked the world, which exposed the drawbacks of traditional financial system to us. Therefore, many talents devoted themselves to improving and optimising the financial system. At the end of that year, a paper with the title of Bitcoin: A Peer-to-Peer Electronic Cash System was published, marking the birth of Bitcoin, which has then overturned the traditional financial system gradually. As it developed, people found that its bottom technology could be applied to a wider range, thus the blockchain technology was extracted. The past 20 years has been seen as an era of the Internet, while the coming 20 years is predicted to be the age of blockchain, which will bring about a revolution in asset authentication. Just as Feng Han (Tsinghua University) said, 'The first generation of Internet information has enabled information to be passed on freely, but de-centralisation and asset ownership are yet to be sorted out.' This issue cannot be overlooked, because at the layer of capital market, if some technology is able to clarify something whose property right was uncertain, great revolution will take place in the entire market.

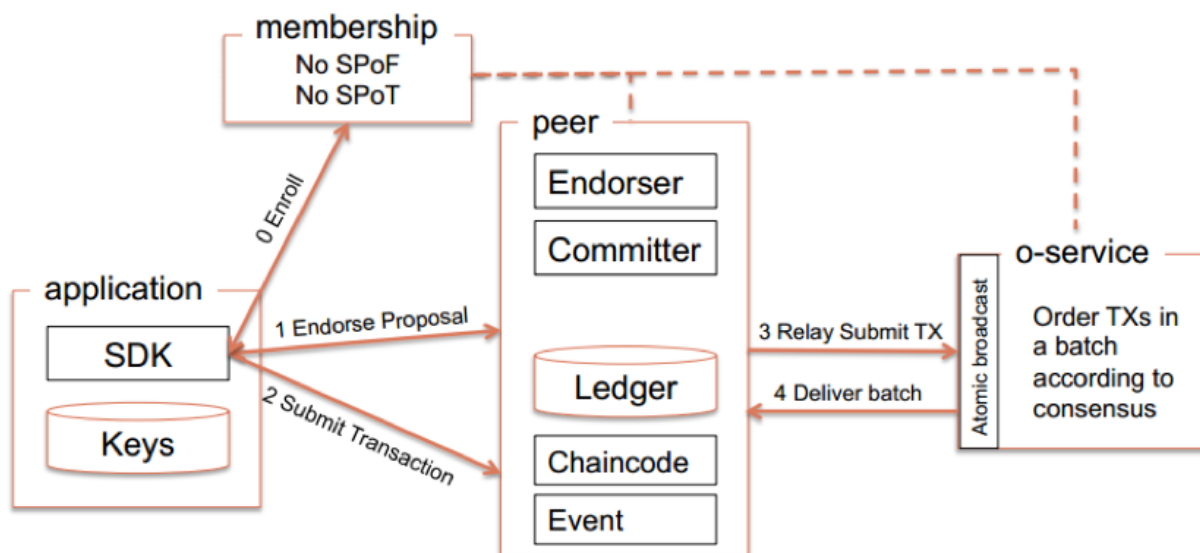
In the future, there will be three great elements in Internet finance: firstly, good matching mode between the assets end and the liabilities end; secondly, smart investment with copy trading as well as suggestion and informing models as the two main models; and thirdly, blockchain.

2. Architecture Hierarchy

In light of the ITOChain vision and technology route, we divide the platform into three layers: account book layer, contract layer, and service layer. The following part will introduce the technical architecture of the entire platform.

2.1 Account Book Layer

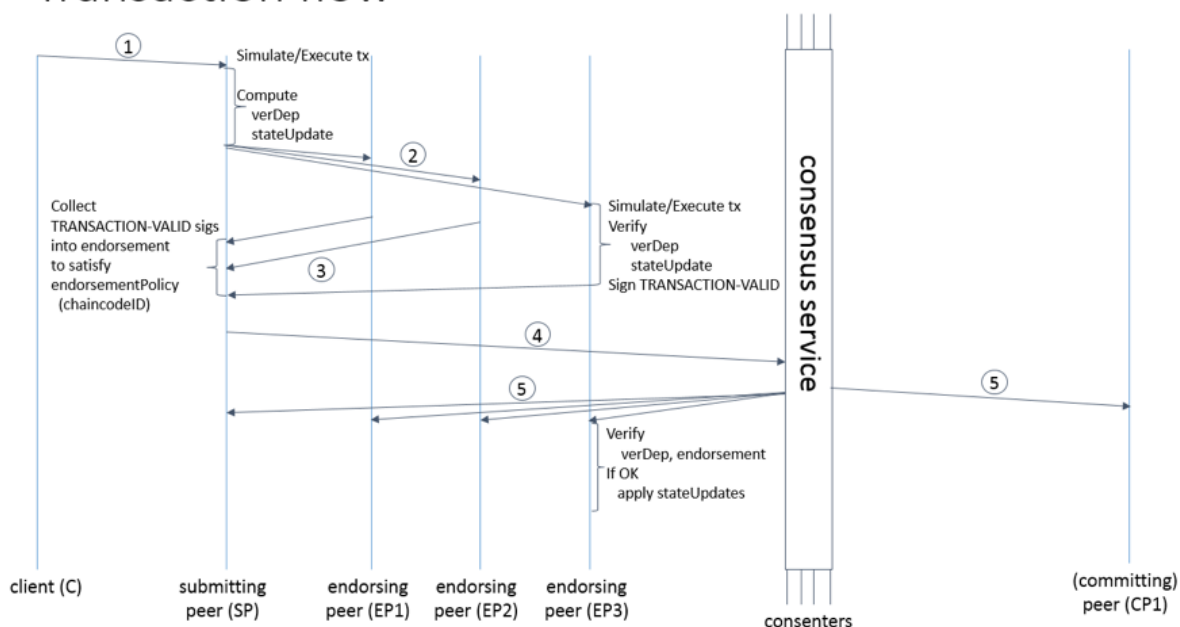
Different from the ITOC token which uses Ethereum public chain, the bottom layer of ITOChain is based on the Hyperledger Fabric blockchain open platform, which is a modularised and distributive account book solution platform, highly confidential, elastic, flexible, and expandable. To adapt to complicated business in the economic eco-system, it provides pluggable components based on the abstract interface.



Peer's function is partitioned, splitting data maintenance and consensus service of the account book. The consensus service is separated from the Peer node, serving Orderer nodes independently. All components function respectively, thus greatly enhancing the flexibility, usability and reliability of the platform.

The executive flow of the trade on the platform is shown as below:

Transaction flow



The upper layer (contract layer) sends transaction requests by SDK to Peer node(s), which execute(s) the transactions respectively (through smart contract), without submitting the executive results to the local account book (it can be regarded as simulation execution, in

which the transaction is suspended), and the endorsing Peer sends the execution results to the contract layer (including its signing on the endorsing result). The upper layer collects the endorsing results and then submits them to the Ordering service nodes, which execute the consensus process, generate blocks, and send the messages to Peer nodes through the message channel. The Peer nodes then verify the trades respectively and submit them (including the change of status) to local account books.

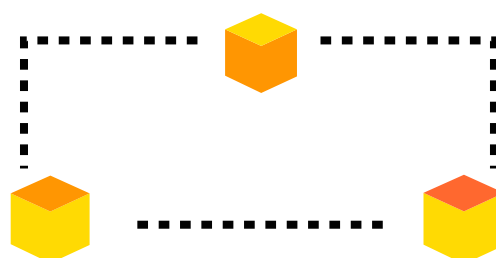
The public chain platform focusing on Bitcoin and Ethereum adopts proof-of-work (PoW) as the consensus algorithm among nodes. It applies, operates, or calculated out a random number that meets the rule, and the accounting right of the current block will be achieved. After the broadcasting, it will be restored after verified by other nodes. The consensus method can crack down on data fabrication to some extent, causing a huge waste of electric power, also considering the longer period before reaching the consensus, so not adopted by ITOChain.

ITOChain aims at building a Forex trade following platform, so it is required to be low delayed and highly concurrent. At the same time, the platform does not require a uniform consensus. A node that participates in the consensus must be a recognised and trusted one by the platform, thus eliminating the waste of time and resource because of trust issues. We apply a Kafka consensus mechanism defined by the Hyperledger, which if a consensus node organises and packs a book trade, the consensus will be reached quickly, providing reliable guarantee for the Forex trade following.

Quick reaching of trade consensus does not mean that the security of the platform cannot be guaranteed. ITOChain provides an advanced identity verification system, so any trade unable to pass the verification would be rejected. The proposal of every trade is required to be signed and endorsed by a few nodes, and only the trades that have passed the endorsement can be submitted to the consensus nodes and packed into blocks, and that is how the account book layer of ITOChain is constructed.

2.2 Contract Layer

The essence of the trades stored in the account book is the record of executed contracts at the contract layer. To make it simple, the smart contract means writing applications operating on the blockchain, under an automatic execution mode. Also it possesses the characteristic of atomicity, either transferring the status, or generating no change at all, which is of great importance for a Forex trading platform.



The realisation of smart contract for the ITOChain is mainly based on that of the chain code for Hyperledger. The business logic encodes according to the interface rule defined by the chain code, which then can operate on the associated Peer nodes in the blockchain network. The chain code is the only way for the blockchain interface to interact with the external environment, and the only source that generates the block chain trade.

Currently there are three major types of contracts: sales record of trading strategies, appointment with experts, and copy trading strategies.

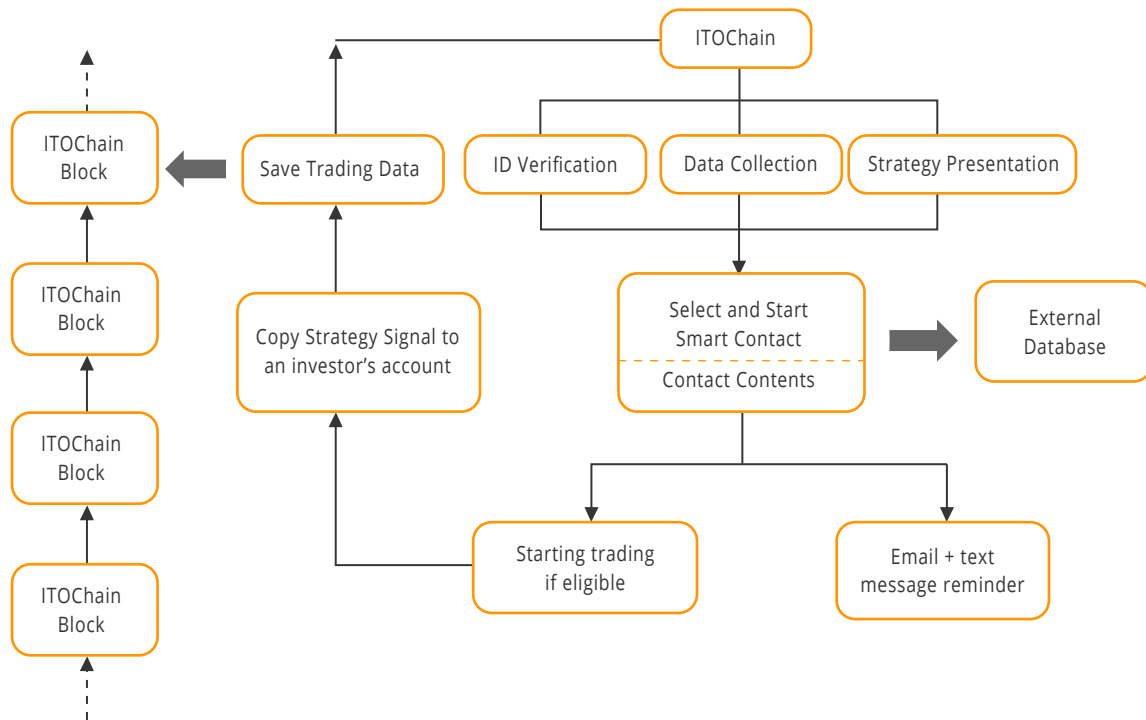
The trading strategy record contract defines every trading record generated by the expert trading strategies, and the data is input by the external interface (such as HTTP and RPC) provided by the service layer called by the external Forex trading platform. As soon as the input is finished, the data cannot be altered any more, which has prevented the possibility of the collusion between the platform and the strategy providers. The contract can record and present in detail the profit ability of the strategy, so as to build strong confidence of investment for followers and prove the capability of the experts who establish the strategy, so their chances of appointment can be increased. However, the contract will not record the specific parameters of their trading strategies to avoid being revealed.

The expert appointment contract mainly defines the appointment strategies with a specific expert, a set of trading strategies, and the appointment history. Followers can check the profit ability of the trading strategies of the expert, together with the investment returns rate history of others who had appointments. If one is happy with that,

he/she can join the contract directly and book an appointment with the expert for valuable investment suggestions.

The trading strategy contract defines the binding of followers and expert trading strategies. This contract acts as the signal of trading which docks with the Forex trading platforms, so every single trading operation of the trading strategies will be synchronized instantly to the trading system for tracking. The detailed flow is shown as below:





The three smart contracts above are those that have developed by the ITOChain platform at the moment. With the progress of the platform and the expansion of the business, it is believed that more smart contracts will be added.

2.3 Service Layer

The account book layer and the contract layer are bottom architectures. On a software platform, if it is unable to provide a clear and neat service entrance for potential users, it is doubtful that the platform can develop smoothly. Therefore we have the service layer, which packages the reading and writing of the contract layers, so there is no need for external service platforms, experts, and followers to know the writing of the blockchain and the smart contract. By agreeing with the data provided by the trusted platform, they will be able to use the services provided by ITOChain.

The first version of ITOChain mainly provides the following services:

- Collect information of trades triggered by the Forex trading strategies and provide it in the form of API interface;
- Formulate strategies of expert appointment and manage the appointment result. This service is aimed at experts and provided in the form of WEB page;

- The followers select trading strategies and experts, also provided in the form of WEB page, so everyone's requirement can be quantified and multiple strategies can be provided to achieve smart matching of strategies;
- Trading strategy rating service is provided. The system uses real-time big data to proceed with multi-dimensional tracking analysis, so as to obtain a rating system for the strategy and professional traders. When the rating meets the requirement of going off-line, the strategy will automatically cease showing the operation removed, so the credibility of the platform can be improved dramatically, thus reducing the possibility of frauds to new investors. With the development of the platform, more services will be provided.

3. Features of ITOChain Platform

3.1 The credibility of historical data for expert trading strategies. Storing the historical trading data in the blockchain can prevent the platform owners and strategy owners from collusion and deceiving the followers. The trading history is completely and automatically recorded by the system, without any possibility of tampering.

3.2 Trading strategy rating. Followers are free from the need of manually selecting effective trading strategies and super experts, as the system automatically analyses the best trading strategies and the most popular experts on a real-time basis based on the big data, so as to lower the threshold of investment.

3.3 Smart matching of trading strategies. The system will match the most favourable trading strategies for investors based on the historical investment modes and the risk bearing ability, intelligent, with lower investment threshold.

(III) Token

While ITOChain acts as the technical root, the token (ITOC) is applied for users to pay for the service. If they have enough ITOC, the system will use it automatically to pay. The service fee for the platform includes but not limited to:

- Membership
- Strategic Copy Trading
- Appointment with Professional Traders
- Strategy Uploading by Professional Traders
- Block Chain Asset Management
- Reward for Strategies



(IV) Application Scenario

1. Building a general smart copy trading system for Forex industry

ITOChain docks with massive Forex trade strategies for investors to choose, with a simple interface easy to get started. Historical performances are shown by icons, allowing common investors to participate in the smart contract of copy trading strategy published by professional investors, and to automatically follow the trades of the veterans, so as to make profits out of the difference even without trading.

2. Portfolio to realise multi-strategy hedging

ITOChain smart Forex investment system provides a portfolio of investment strategies, which enables you to choose multiple strategies for package test, and thus achieving a profit curve after the hedging. This facilitates the one-stop financial management featuring big capital and multiple markets, so as to eliminate the hassle in big capital trade.

3. Big data analysis and smart ranking of trading strategies for recommendation

ITOChain smart copy trading system uses the big data rating analysis model, to collect the real-time data of massive strategies, the market information of block chain assets, and the social data, putting forward smart real-time analysis and smart ranking recommendation. Therefore, you will be able to seize the chance and make all-time profits.

4. Providing one-stop professional quantification service for professional investors and organizations

ITOChain provides independent backtest modules of strategy compiling for professional investors and organizations, to facilitate the use of quantitative tools by professional investors for higher investment returns.

5. Integrating blockchain and AI technologies to continuously improve user experience

ITOChain platform provides a smart Forex copy trading system with enormous copy trading strategy services for investors to choose and merge according to their styles. The enormous Forex quantitative trading strategies are selected by smart sift, and finally established by integrating with big data quantitative investment model and AI technology. Investors can follow multiple trading strategies through the extremely simple interface, and can set up a profit-and-loss-prevention contract to realize the maximum profit and the minimum loss without spending time on monitoring the trading.

(V) Market Prospect

1. A recognized, mature, profitable model

ITO chain is benchmarked against Followme and Myfxbook, boasting a mature and clear business model. The traditional MT4 trading platform is merely a channel for the trade, unable to develop an interdependent relationship with the users. However, ITOChain's smart copy trading social platform, by sending notifications, share requests, invitations and rewards, benefiting from the communication effect of the Internet continuously, will generate more profits for users, while build a team of followers for professional traders.

2. ITOC is used in various scenarios, which is a rare resource with great prospect of value adding

The amount of ITOC is fixed, but the user base of the platform is tremendous, and there are a variety of scenarios where ITOC can be used, including automatically paying for all service fees on the platform. Therefore, with the increasing recognition by the platform users, ITOC will become even more rare, so it will become more valuable.

3. The market covers the Forex and digital assets globally, which can all be transferred from one to another

ITOChain is able to transfer between investments of physical Forex assets and digital money globally, the investors of which are potential users and investors of ITOChain. At the same time, ITOChain provides a completed service system and system support for both general investors and professional traders.

4. Copy trading mode will simplify investment models, with huge need in the market

ITOChain aims at establishing an investment mode simple and easy to use for general investors. With one-click smart copy trading and various strategy settings including profit and loss prevention as well as copy ratio adjustment, ITOChain is committed to asset safety and convenient management for Forex investors.

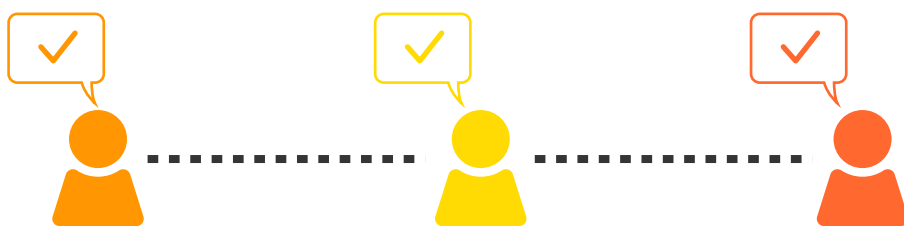


5. Improved credibility mechanism by block chain solves the payment pain points for global users

Traditional MT4 Forex trading system lacks a credibility mechanism. ITOChain's built-in blockchain technology has achieved the transparency of trading strategies thanks to the smart contract, and has constrained the copy trading generated by the smart contract, so that the failure rate has been reduced. Besides, with the ITOC, the ITOChain token, as the unified payment method for the global users who use the platform, ITOChain has eliminated the pain point of trans-national payment with clarified application scenarios.

(VI) Our Advantages

- **Profession:** ITOChain project is initiated by the best traders in the last decade who have profound understanding of the Forex area, so the core of the industry can be mastered accurately.
- **Experience:** The team members are among the first batch dedicating to the blockchain projects in the country, who have special and extensive experience in solving the global problems in the Forex trade area with blockchain.
- **Resource:** A world top fund management team, rich resources and a huge number of partners provide liquidity and impulse for the platform to operate.



(VII) Core Team

The project team of ITOChain is highly experienced in blockchain and Forex industries, who has made great contribution to driving forward the development of industrious development, and thus greatly influential in the industry's brightest technology, business and legal minds.



Mr. Quandt Chan
Project Founder

Mr.Chan holds a Master of Cryptology, from National University of Defense Technology, China. In 2008, Mr Chan was rewarded with the title of 'The Best Forex Trader' by Forex Club, a famous online investment company based in the United States, thanks to his achievement of a monthly return increased by 624%. 11 years of experience in hedge fund management, Chan has taken over assets as much as hundreds of millions of dollars, endowed him with in-depth insights and rich experience in global asset management and quantitative trading.



Mr Simon Choi
Chief Legal Officer

Simon Choi, is an international lawyer, qualified to practice law in England and Wales and in Hong Kong, China. Simon graduated from law schools of the Peking University, the University of London and the University of Hong Kong respectively. Currently, Simon contributes to ITOChain with an in-depth knowledge of Chinese laws, and international business and finance laws and with more than 25 years' experience of international trade, investment, finance, merger & acquisition. He is an adjunct professor of laws at the Zhongnan University of Economics and Law.



Mr. Jack Shaw
Chief Technical Officer

Jack Shaw is Co-Founder and Executive Director of the American Blockchain Council. As such, he is a leading expert on the strategic business implications of Blockchain technology. Jack Shaw has been a Technology Futurist for over 30 years – helping others to understand the impact of emerging technologies. He is a world renowned Keynote Speaker. He was recently voted one of the World's Top 25 Professional Speakers by over 27,000 meetings planners, executives and conference attendees – the only Technology speaker to be accorded this recognition.



Mr. Saravanakumar K
Chief Marketing Officer

Saravanakumar graduated with Bachelor of Fine arts (Visual communication design) from Madras University, INDIA. He has 12 years experience in various design industry including marketing management. He co-founded design community (Madrasters) to the sheer fulfillment of sharing design knowledge. He involved in numerous startup communities in shenzhen.

(VIII) Governance Structure of ITOChain

ITOChain governed in the form of foundation:

The ITOChain Foundation (hereinafter as 'Foundation') is the management object being founded overseas, which is committed to the development, construction and governance for ITOChain, promoting the construction, evolvement, and formation of the ecological social platform. To avoid users' dissidence in direction and decision as well as the rupture induced, the Foundation is aimed at setting up a favorable governance structure to help manage general affairs and privileged items. The goal of the structure is to keep the sustainable development, efficient decision and compliant financial management of the platform. It consists of a decision-making board, a technology development centre, a marketing centre, and a daily management centre.

At the beginning of the founding, to facilitate the functioning and operation of the project, the first term of the decision-making board will consist of the representatives of the team members and the early investors. All together there will be 7 members, in which 4 are team members and 3 are early investors. Their term of office is 2 years, after which an election will be held by voting among ITOChain copy trading community.

Publicity Commitment

After the ICO is completed, the Foundation will publish the latest progress regularly on the official website, so that the early investors, eco-participants and end users will be informed of the development in every aspect.

For the fund raised, the Foundation will choose a third party organization for standard financial audit and publish the results regularly, so where the fund is used and how it is used will be transparent.

(IX) RISK WARNING

It is not recommended to participate in the public conversion of ITOChain until you are fully acknowledged of the development route of ITOChain and risks of the block chain industry. Since encrypted monetary is an industry at its preliminary stage with high risks, any investment and participation shall be contemplated with caution. Once converted, your original tokens will never be returned. This project is liable to failure subjected to legitimacy, market requirement, technology, or other force majeure, and the most undesirable result may end up with all your Bitcoins or other tokens irretrievable.

