



LedgerX Options Exchange + Bitcion Clearinghouse: Series B

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Money: Before and After

Old Money

M0: Cash in circulation



M1-M2-M3: Commercial bank money lent via traditional ledgers



Financial institutions manage cash volatility risk via CFTC-regulated FX trading



New Money

M0: Bitcoin blockchain as a settlement layer



M1-M2-M3: Commercial bank obligations on top of the blockchain (via sidechains, smart contracts, etc)



Financial institutions manage bitcoin volatility risk by trading on LedgerX's CFTC-regulated options exchange

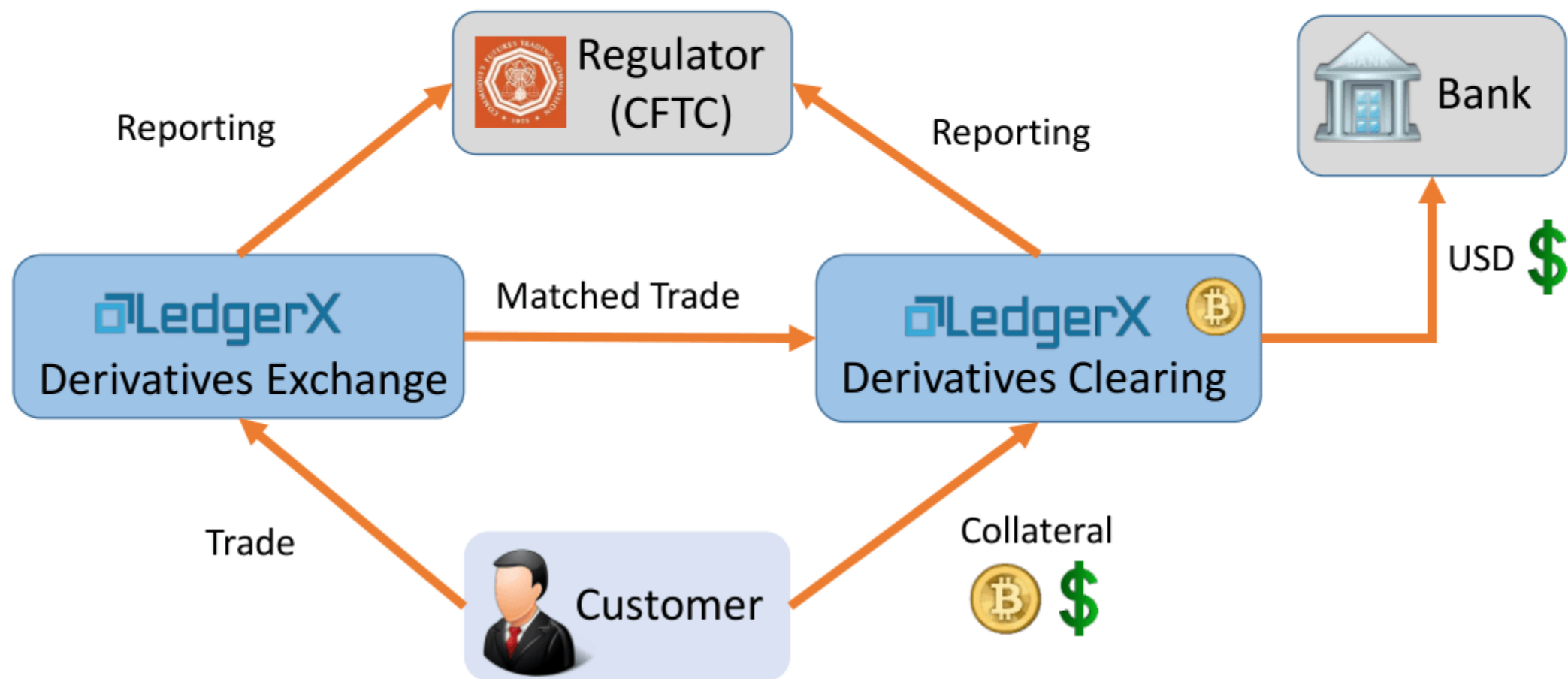


Currencies targeting moderate inflation rates can be issued on top of the Bitcoin blockchain using sidechains technology.





What is LedgerX?





Revenue Opportunities

Derivatives is a good beachhead: There is meaningful demand on both the buy (merchant processors / consumer-facing bitcoin companies) and short (miner) side. Also, derivatives are big business: ICE acquired NYSE in 2012 for \$11B, yet NYSE trading revenue (Cash / Spot Trading) is still only ~ 17% of ICE's total trading revenue. The remaining ~ 83% is from derivatives.

The long-term value is in the clearinghouse.

Short-Term	Long-Term
Trading fees (per unit of put/call options contract traded) from our beachhead market, "institutional" customers (big bitcoin corporates and miners)	Clear for other exchanges (SEFs/DCMs), especially traditional SEFs/DCMs that want to let participants post bitcoin as collateral for other assets
Clearing fees	Bloomberg Terminal for Bitcoin
Settlement fees	Offer bitcoin futures
Bitcoin volatility index (already developed) – cryptocurrency equivalent of VIX	Market making on LedgerX exchanges
License our SEF market data feed	Spot market making
	Retail derivatives exchange
	Become the next \$3B/year clearinghouse for all commodities asset types, replacing CME



Bitcoin as collateral

- Same asset in every jurisdiction
- Less FX risk – collateral posts within 10 minutes (or 1 minute on sidechains)
- Margin in Europe, Asia and US, using the same collateral, any time
- Bitcoin blockchain is the only battle-tested blockchain, operating on public Internet 24/7 for multiple years
- CFTC has affirmatively asserted jurisdiction over bitcoin derivatives
- It's the most relevant use case

“Importantly, while there has been a great deal of discussion around implementing real-time settlement using distributed ledger technology, the current U.S. equity market convention of T+3 is based on laws and market structures. Modernizing current practices and laws to enable real-time settlement are not dependent on the use of blockchain technologies.” – *Embracing Disruption* whitepaper, DTCC, January 2016



Bitcoin-as-collateral use cases the LedgerX clearinghouse will implement

1. Out-of-bank-hours collateral posting for any asset
 - **Reduce counterparty risk**
2. “Collateral room” for efficient bilateral netting in uncleared trades
 - **Reduce the total number of payments**
3. Vertically integrate OTC derivatives payment processing
 - **Replace services like CLS** with bitcoin, which delivers even better settlement certainty through cryptography-enforced finality, and is much less costly to operate and integrate with than e.g. CLS
4. Realtime margining for FCM Direct Clearing Members and client clearing
 - Use multisignature bitcoin wallets for big cost savings for FCMs providing fully segregated, LSOC client clearing
 - **Replace quad-party clearing** – multisignature wallets provide the benefits without the costs
 - Details available upon request



Ask: Series B Lead

LedgeX is raising its Series B to cover the required Derivatives Clearing Organization (DCO) reserve fund, and enough operating expenses to achieve cash-flow positive.

We are targeting \$30MM pre, \$40MM post. Our ask is a \$4MM lead check.

LedgeX's technology is essentially complete, and has undergone extensive CFTC review. The reserve/operating fund is the only major item blocking launch.



Out-of-bank-hours collateral posting for reducing counterparty risk in uncleared trades

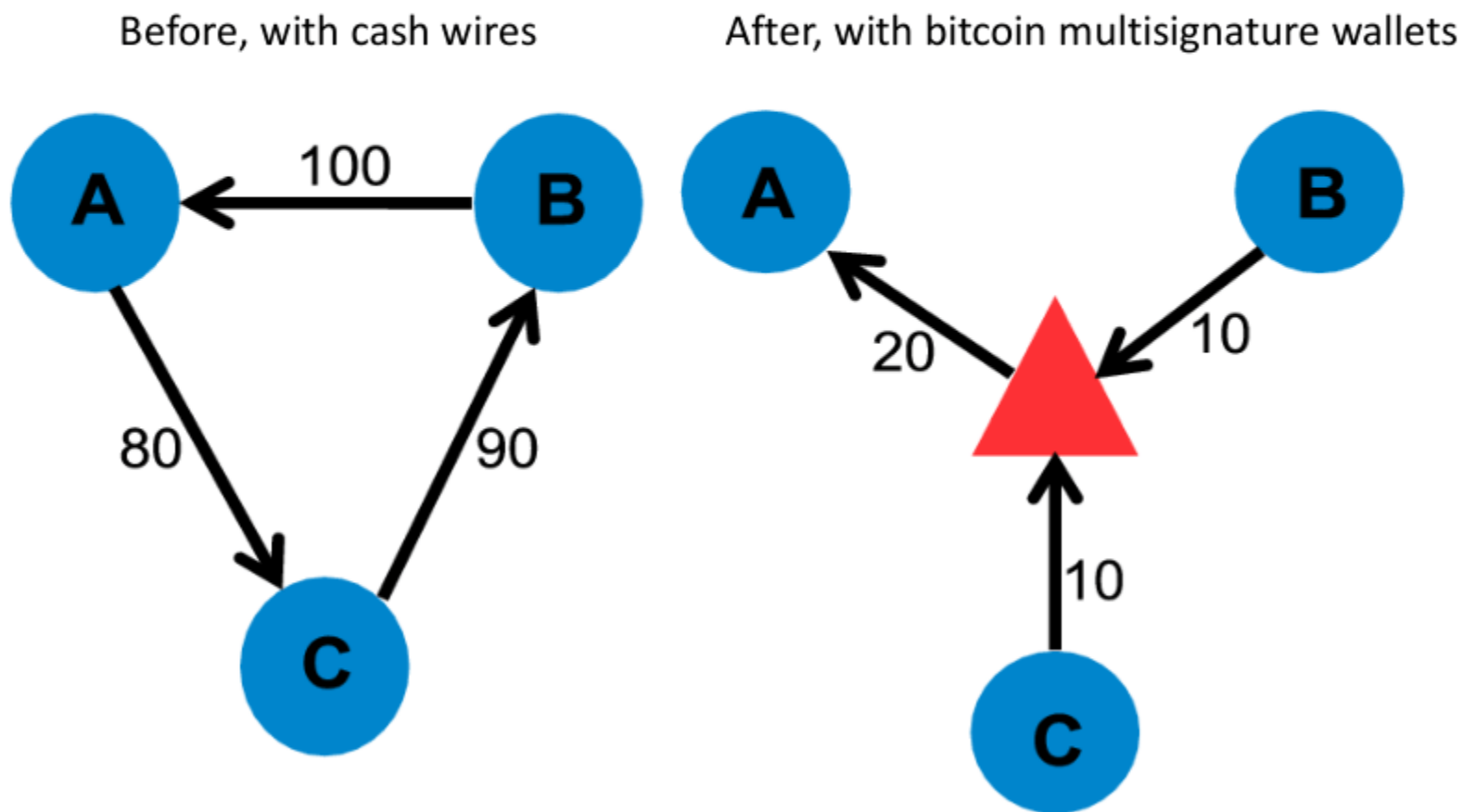
If you're a US shop and you only have access to US banks in USD. A market-moving event happens overnight in your favor. ██████ like collateral pledged to you overnight, as opposed to beginning-of-next-business-day.





Replacing inefficient bilateral netting with Bitcoin-based escrow

Bitcoin “multisignature wallets” let multiple trading counterparties in uncleared OTC transactions put collateral in a secure “room” – then after a period of trading activity, withdraw any extra. This prevents over-collateralization, freeing up collateral for other uses.





Facilitating the collateral use cases: Extensions on top of bitcoin

Unlike R3/DAH/Ethereum, Bitcoin extensions technology is built by the same people who have been developing and running the Bitcoin blockchain 24/7 for multiple years. These are the most capable software developers in the ecosystem. Bitcoin extensions are already live, tied to a source of value (bitcoin), and have additional regulatory certainty.

A “**sidechain**” is a private extension that can be operated by one or more financial institutions or intermediaries. The side part means that value represented on the sidechain as tokens or assets can be freely moved back and forth with the main Bitcoin blockchain, subject to pre-determined rules set by regulated entities participating in the project.

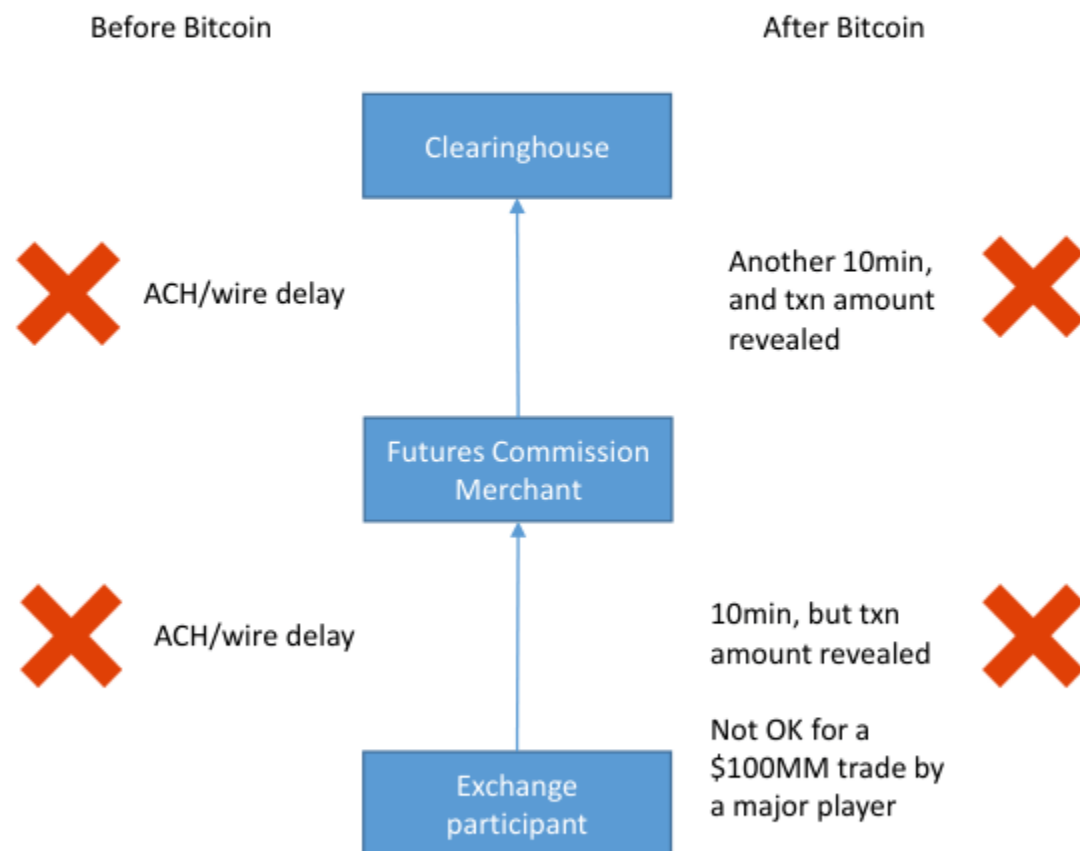
This means regulated entities like clearinghouses, FCMs and brokers can, *right now*, use bitcoin to implement custom collateral and settlement technology that follows business rules approved by risk and regulatory oversight committees.

LedgerX is the only company with both the in-depth bitcoin technical know-how and regulatory progress to quickly implement sidechains technology for collateral.

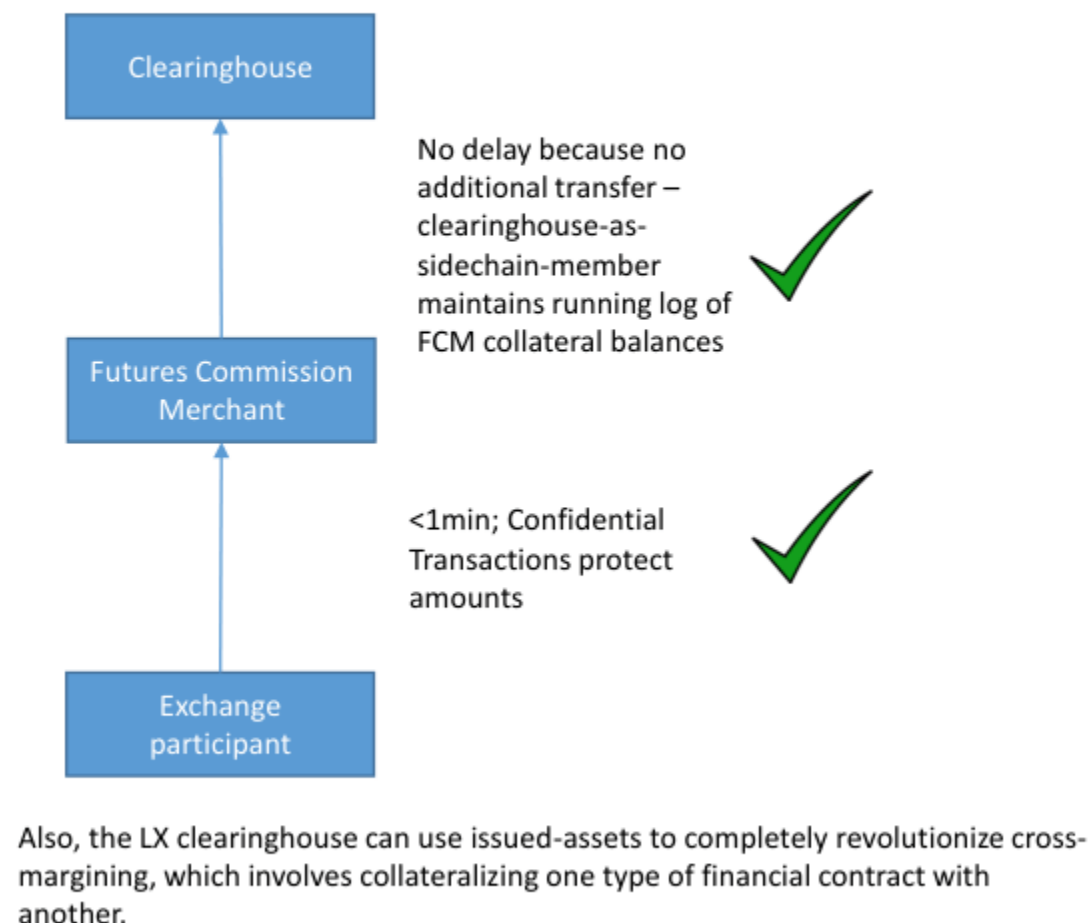


Collateral Posting: Before and After

Before sidechains



After sidechains + LedgerX (LX) clearinghouse



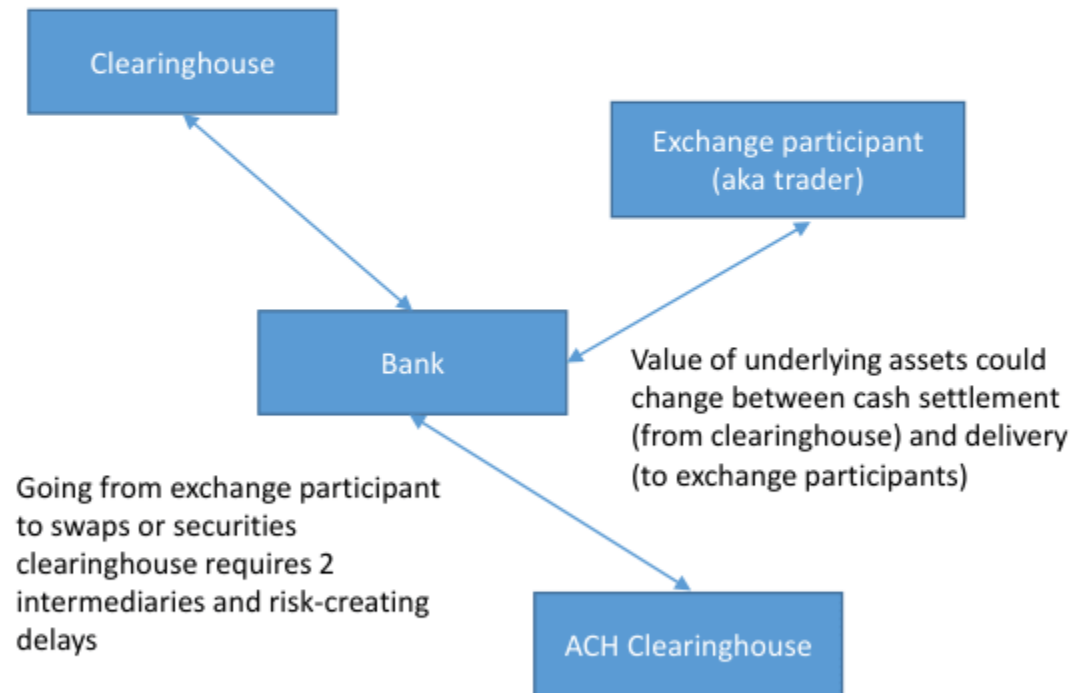


US Financial System: Before and After

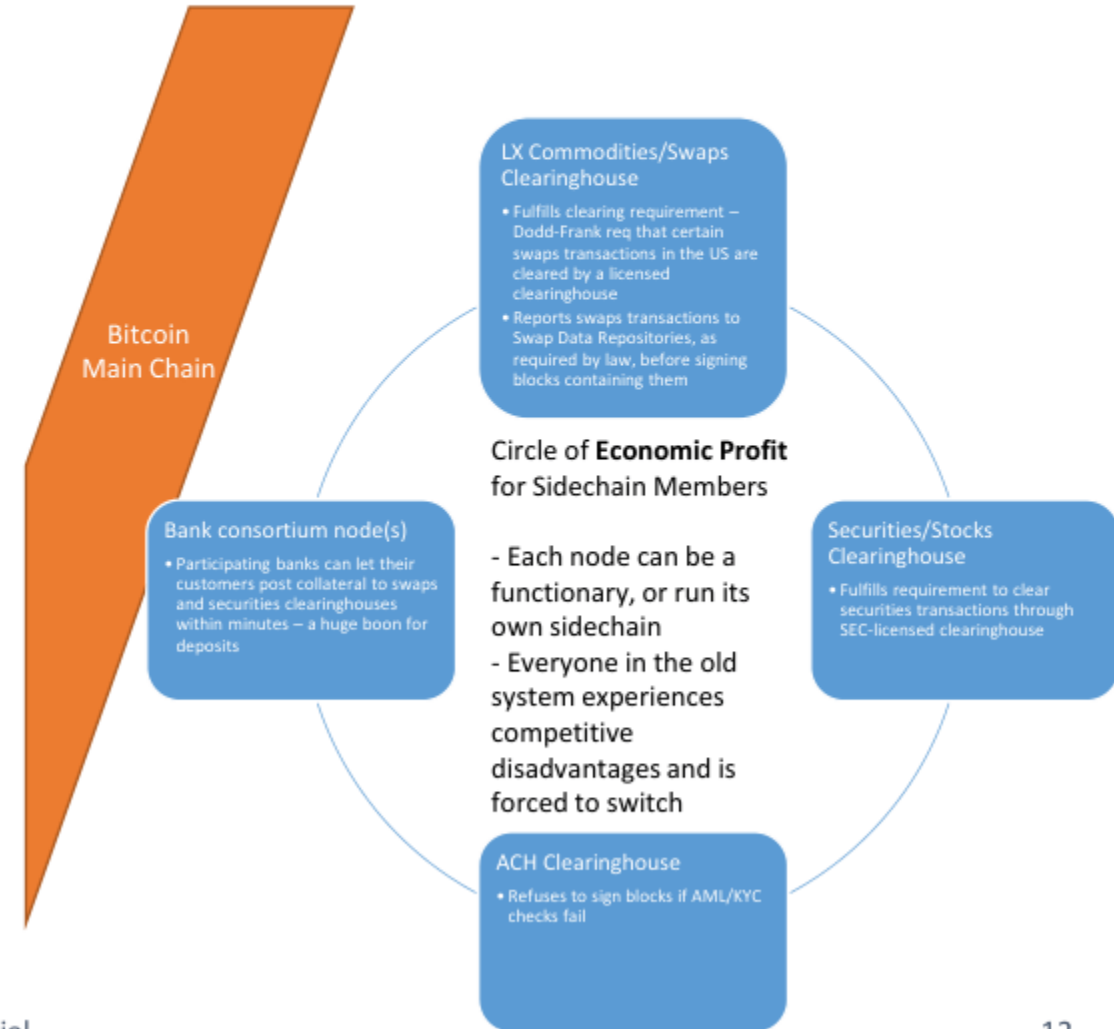
Before Bitcoin + sidechains

Time risk everywhere!

Arrows are collateral and asset transfers



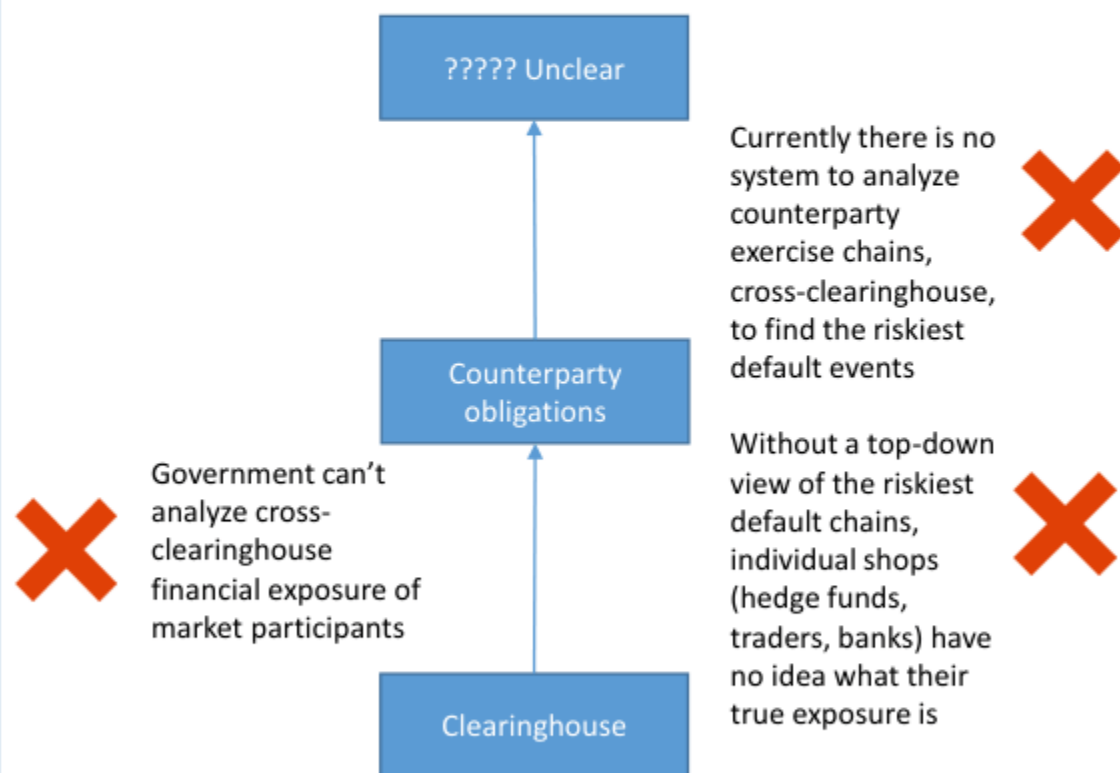
After Bitcoin + sidechains + LedgerX clearinghouse



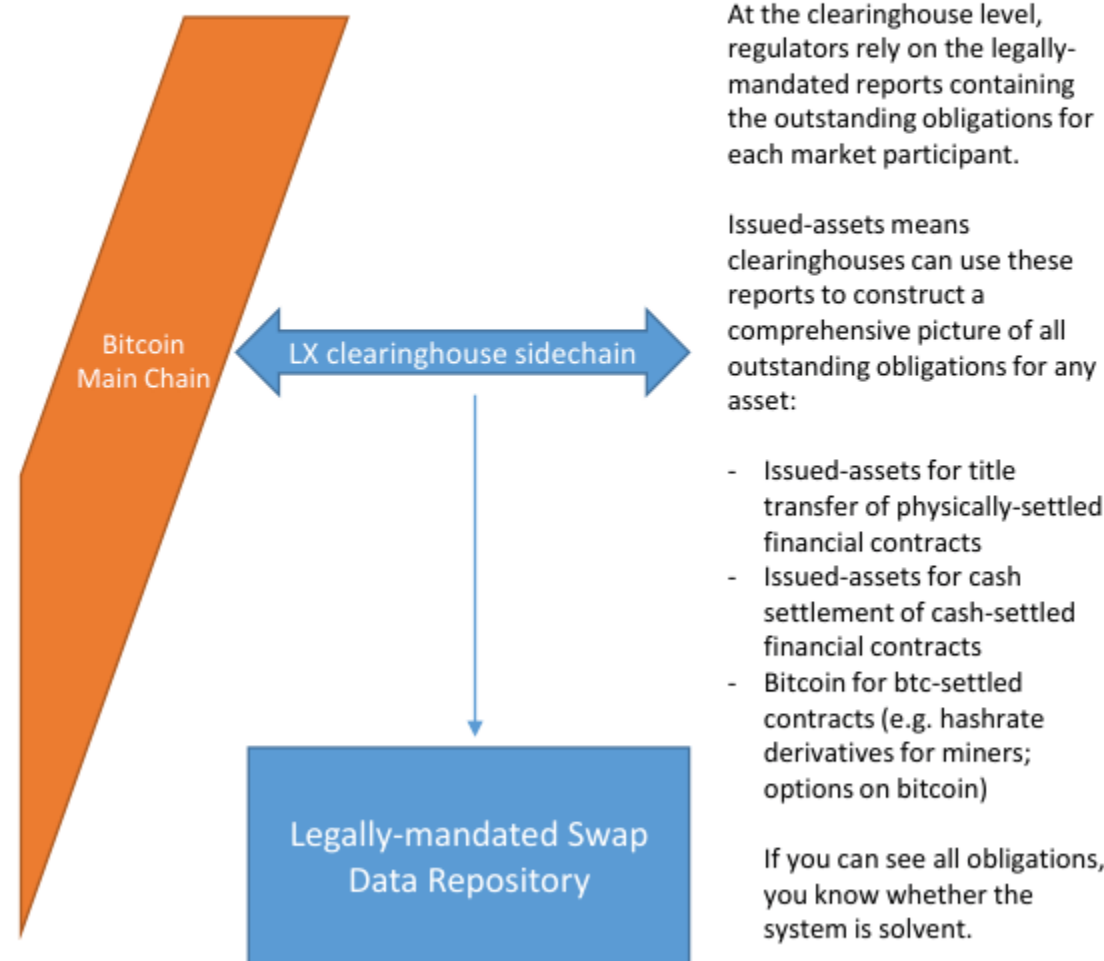


Are US Financial Institutions Solvent? Before and After

Before Bitcoin + sidechains



After Bitcoin + sidechains + LedgerX clearinghouse





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