



Capdax Exchange  
**Whitepaper**

Version 1.2

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# | Important Notice

This document and information contained herein may not be sent and or addressed wholly or in part, directly or indirectly, to any person in the United States, New Zealand or the People's Republic of China, or any other jurisdiction in which it would be impermissible or restricted to offer, distribute, purchase, sell or retain cryptographic tokens.

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All definitions contained in this notice shall bear the same meaning as provided in the Whitepaper unless stated otherwise.

The Capdax Token is not intended to constitute:

- I. securities in any jurisdiction;
- II. currency of any kind;
- III. stocks, shares or debentures;
- IV. units in a collective investment scheme or business trust;
- V. equity in an investment fund

Any regulation or legislation applicable to securities or to any of (I to V) above will not be applicable to this Whitepaper and the Capdax's Token Generation Event ("TGE").

This Whitepaper does not constitute a prospectus or offer document, nor is it an offer of securities or an attempted solicitation for investment in securities in any jurisdiction.

This Whitepaper and the Capdax's TGE have not been approved by any regulatory body in any jurisdiction. It should not be assumed that the Whitepaper, and the Capdax's TGE complies with any laws, regulation or legislation of any jurisdiction.

The purchase of the Capdax Token and participation in the Capdax's TGE is inherently risky.

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- I. the performance of the Capdax Token;
- II. the performance of the assets underlying the Capdax business or the Capdax Token purchase;

# | Executive Summary

The buzz around cryptocurrencies is booming and accelerating more quickly than ever, with more major media outlets covering new developments every day. With daily exposure in nearly every major newspaper and television station, it is clear that cryptocurrency is fast becoming mainstream. Not only is the discussion growing larger, but the market capitalization and trading volumes are sky-rocketing at an exponential rate.

On January 1, 2017, roughly a year ago<sup>1</sup>, the market capitalization of all cryptocurrencies was recorded at US\$17 billion, with 24-hour global trading volumes peaking at US\$292 million. On December 31, 2017, the market cap reached US\$610 billion and a 24-hour trading volume of US\$33 billion, an increase of 3588% in market cap and over 10000% increase in trading volume in only one year! To put these numbers into perspective, this is the equivalent of Whatsapp (worth US\$19 billion) growing its market capitalization to the size of tech powerhouse Apple (worth over US\$700 billion). At the current rate of growth, the cryptocurrency market could overtake the market capitalization of every company listed on the Dow Jones by April 2018.

Although this boom creates an amazing opportunity for traders and startup projects, it also uncovers challenges to the cryptocurrency exchange infrastructure that supports them. Frequent outages and trading delays are being seen on exchanges unprepared to deal with swarms of new users, sometimes reaching over 100,000 per day<sup>2</sup>. Trading platforms are also under constant attack from hackers, experience stolen funds, and lack policy transparency, eroding the trust of their users. Just in July of 2017, over US\$50 million<sup>3</sup> worth of stolen cryptocurrency was reported, and it can be assumed that that number does not include unreported thefts that may be occurring daily.

1) Based on statistics from CoinMarketCap.com

2) <https://cointelegraph.com/news/binance-bitfinex-bittrex-temporarily-say-no-to-new-users>

3) <https://www.benzinga.com/fintech/17/11/10824764/12-biggest-cryptocurrency-hacks-in-history>

Additionally, many large cryptocurrency exchanges fail to service both the expert trader as well as the crypto novice, those who are just getting into the market. Simplified retail exchanges exist, but offer poor rates to their customers, and do little to educate their users. Full-featured exchanges are too confusing for a beginner to use.

The problems facing current cryptocurrency exchanges is at an all-time high. Capdax is recognizing these issues and is positioned to address them head-on. Offering users a choice between advanced and basic trading modes, users of all skill levels are served with an optimal experience. Superb customer service, clear policies, and fully audited security standards create the necessary user trust, and an innovative copy-trading feature allows traders to seamlessly follow the portfolios of others automatically.

## | Problems Facing Current Cryptocurrency Exchanges

### User Friendliness

Newcomers to the cryptocurrency world face the most significant challenge as soon as they sign up to an exchange. The interfaces are difficult to use, and there is little help for getting started. It is challenging to get newcomers to operate on the platform if they can't figure out how to use an exchange, and fixing this problem would do a great deal in helping user adoption for cryptocurrency in general.

## Customer Service

By far the biggest complaint users currently have with existing cryptocurrency exchanges is poor customer support. The issues are many and include long withdrawal times, login issues, unanswered support tickets, and nonexistent documentation. Horror stories abound with funds locked up for months due to something as simple as a 2 factor authentication reset with nobody there to help. When dealing with such large amounts of funds, users need a professional customer support experience.

## Security

Some of the largest exchanges currently in operation have a history marked with security breaches and stolen funds. The largest, of course, was the infamous MtGox hack, but many other exchanges have been compromised, having user data and funds stolen. Some eventually repaid the affected users, and some quietly closed up shop. Such amateur levels of security are unacceptable when dealing with user funds and personal data.

## Website Speed

Extreme trade volume, a massive influx of new users, inadequate IT infrastructure, and poorly coded frameworks have been driving poor user experiences. Many exchanges started small, some as hobbies, never expecting the popularity they are faced with today, and therefore were not designed to scale to meet demand. Redesigning while operating is a lengthy, heavily involved process and poses significant downtime risks. Rebuilding these platforms from scratch may be their only option, but may never happen.

## Downtime

Even worse than just a slowly operating exchange, downtime can cause significant financial loss to users unable to place or modify trades, especially during times of high market volatility. The inability to access an exchange holding user funds destroys trust in not only the exchange, but cryptocurrency as a whole. With huge wallet balances at stake, uptime must be comparable to the standards set by traditional global financial systems.

## Unclear Policies

With the recent Bitcoin hardforks, there has been much talk about cryptocurrency exchange policy in regard to handling forks and airdrops. In nearly every case, current exchanges do not take any position prior to the fork or airdrop as to their policy of crediting or listing the new tokens. One recently even changed its policy after the fact, costing some users hundreds of thousands of dollars. This is simply unacceptable practice, and such decisions should be made crystal clear before the event so users can act accordingly and with confidence.

# | The Solution: Capdax Exchange

Capdax Exchange addresses these primary concerns in the current landscape by improving usability, scalability, and reliability while providing an innovative and stable environment for new traders, and a sophisticated and trustworthy experience for expert traders.

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## | User Experience

As experienced cryptocurrency traders, the founders of Capdax Exchange have noticed quite a few problems with the user experience on existing exchanges. With these in mind, the exchange has been designed from the ground up to offer a flawless user experience for both inexperienced and experienced traders. Two modes of use are available: Basic Mode, and Expert Mode.

### Basic Mode

A smooth user experience for newcomers to the cryptocurrency world is something lacking on current exchanges. The market page is cluttered with order books, graphs, lots of scrolling numbers, and a complex order form. For an experienced trader who knows what all the numbers mean, this is fine, but for an inexperienced trader, someone just starting out, it might cause them to quit in frustration.

Basic mode provides a simple user experience for novice traders in need of an easy-to-use interface. Simple order types and detailed tutorials on how to deposit funds and trade currencies are available. Capdax removes the barrier to entry that is created through complicated order types and difficult to use interfaces. Instead, buying and selling are a one-click experience similar to how e-commerce offerings work. This opens the market to more users, as well as educates a wider audience.

## Expert Mode

Expert mode offers the full breadth of functionality needed by professional traders. Detailed graphs allow the user to see historical market data in great detail. Live trades and ticker data are streamed and updated in real time. An advanced order form allows for trading with advanced order types, giving expert traders the control they need.

While every notable exchange offers the same basic features such as historical charts, live-updating order books, market depths, and a live trade feed, most have some flaws that make the experience far from optimal. By surveying experienced traders, and consulting with user experience experts, Capdax Exchange has designed an optimized flow that allows traders to log in, see the information they need quickly, instantly access markets they are interested in, and make trades. Further, ongoing user experience analytics are monitored to make ongoing improvements.

## Custom Markets Overview

Upon logging into the exchange, rather than being left alone with a random market page, users are sent to an overview page showing "at a glance" information pertaining to their account. Graphs detailing the value of their current holdings, and a customizable list of markets are available here. Clicking any market on the list brings them to the market page for that currency.

In addition to having favorited currency prices listed on the overview page, a feed containing important news items about the favorited coins is also shown. This allows users to stay up to date on what's happening with the currencies they care about and make well informed trading decisions. Not everyone has time to follow social media for every currency they hold to know if they need to buy or sell. Capdax markets overview page puts all that information in one place, saving time and helping users make better, more informed trades.

## Market Research Page

One basic feature most current exchanges lack is the ability to do market research from within the exchange itself. Capdax consolidates relevant information about each listed cryptocurrency in a market research page, easily accessible from the market page. Here users can find a detailed summary of the currency, links to social media profiles, whitepapers, community forums, as well as a live updating feed of recent news.

# | Social Trading

Capdax is also introducing social trading, which is an exciting new feature allowing users to follow more experienced investors by copying their portfolio and mirroring all future adjustments. This allows inexperienced traders, or those without enough time, to invest their money in the trades of someone with more experience. This has huge benefits for both the leader and the followers:

## For the Leader

The majority of leaders likely start out of necessity with a small following of friends and family. Time constraints make it unrealistic to assist everyone on an individual basis when sharing recommended trades and portfolio adjustments. Now leaders can help friends and family invest in cryptocurrency without contacting them directly for every trade. Instead, these followers can simply allocate funds under the guidance of the leader, and they no longer need to be managed individually. This saves time for everyone involved. Over time, if the leader performs well, they naturally grow following and generate extra income in the process.

The most obvious benefit to becoming a successful leader in the Capdax Social Trading program is the ability to collect XCD tokens from one's followers. Successful leaders naturally build a name for themselves in the cryptocurrency investing world. By linking social media accounts, the leaders can naturally grow their influence by showing real trading results, which helps build an even larger Social Trading following.

While not a primary benefit of the Social Trading program, leaders with a large following and reputation use the weight of their followers' funds to move the price in favor of their supported currencies. Now you can become a market mover with a legitimate profile and following.

## For the Follower

For followers, the process is simple. After depositing funds to Capdax, simply select a leader, choose the amount of funds to allocate, and click "Follow". The allocated funds are then used to buy the portfolio currently held by the leader to match his/her holdings. Any future trades made by the leader are then matched at the current market rate.

Using Capdax Social Trading allows followers to trust someone with more experience or available time to manage their trades. With so many tokens available for trading and so many new ones being created and released every day, most people do not have the time to research and evaluate them all. Asking a more experienced trader for advice is always an option, but getting one-on-one help is time consuming for both parties. Instead, use Capdax Social Trading to follow someone more experienced from the public listings, or even a trusted friend or family member.

## | Customer Service

Customer service on current cryptocurrency exchanges is becoming a primary concern as exponential growth leads to an ever larger backlog of issues. User trust is eroded when there is no reasonable expectation that a support ticket will be resolved in a timely manner, especially for time sensitive issues such as fund withdrawals and inaccessible accounts. User funds are often locked up for months without any answer from customer service. In an emergency, timely access to funds is essential, and these issues must be handled as expeditiously as possible.

At Capdax Exchange, one of the top priorities is a pleasant user experience, and the largest user experience improvement to be made on current cryptocurrency exchanges is customer support. A customer support ticket system is essential, of course, but it is useless without adequate staffing and training. Capdax customer support is overstaffed and easily scalable. As the number of users grows, so does the customer support team, seamlessly.

### **These are the customer service areas that are most important:**

- Easy-to-use ticketing system
- Fully-staffed and well-trained support team
- Fast resolution for login/account issues
- Fast processing of withdrawals

Capdax sets the standard for quality responsive customer service.

## | Fork/Airdrop Policy

Recently there have been some substantial issues with current exchanges in regards to blockchain hard-forks and airdrops. In both situations, holders of a token are distributed a new balance of a different token based on their current token holding. For example, at the time of the Bitcoin Cash hard-fork, users holding the private keys for any Bitcoin balance now had access to an equal amount of Bitcoin Cash. If your tokens are being held on an exchange, the exchange itself holds the private keys for that balance, and they must decide what to do with the new funds.

The vast majority of exchanges and services holding user Bitcoin funds did not communicate their intentions at all before the fork. The only way users could be certain they would get the Bitcoin Cash tokens was to withdraw their Bitcoin to a wallet they held the private keys for. Of the few exchanges that did communicate their intentions before the fork, most stated that they would not be distributing the new tokens. This lack of clarity has led to much confusion and even lawsuits against one of the largest exchanges.

On the other hand, many new tokens are incorporating a fork or airdrop distribution into their business plan, hoping that users attempting to get "free money" will drum up support and force major exchanges to give them free press and volume. This is unfair to exchanges that now need to worry about being sued if they don't distribute tokens or refuse to comment on them at all.

Capdax Exchange can't possibly support every potential split and airdrop, as there are many of them, and some are so insignificant that they should be considered spam. If the fork or airdrop is significant, the policy of Capdax Exchange is to release a blog post detailing with 100% clarity the level of support for the new token. This will be done with adequate advance notice to allow users to act accordingly. Will the new tokens be distributed to users? In what timeframe? Will the new token be tradable on Capdax? Immediately? These questions are all answered to avoid confusion and allow the users the opportunity to make the best possible decisions with their holdings.

## | Platform

### Technology

Capdax Exchange is built on a modern technology stack using best practices from high-performance web application development and experienced developers from the financial sector. All trades and withdrawals are atomically safe transactions, and the system runs a full suite of unit tests and self-health checks once every hour. Every API function is load tested for speed and reliability, and the platform is deployed with proven auto-scaling technologies.

The unit test suite is comprised of over 1,000 individual spot-checks that ensure all API calls behave in a sane and predictable manner. A robust staging environment has been deployed with thousands of bots continually placing hundreds of orders per second (which is more order-book activity than is seen on 99% of live exchanges as of time of writing), matching and executing up to 1 million trade actions daily; every night at midnight, all the bots stop trading and account for their funds, and a management routine verifies every single transaction and account balance across the entirety of the system.

Trade and account balances are stored in a primary database which replicates in real-time to 3 secondary failover databases on discrete power and networking grids in nearby data centers. The live database states are then encrypted and backed up every 60 minutes to five additional data center locations around the globe. Once per day, the latest full copy is downloaded to military-grade tape media rated to survive a nuclear-grade electromagnetic pulse. Database outages in up to three of the four primary availability zones can recover in up to 10 seconds, but have been seen to have no service disruption in 90% of cases.

All web services run redundantly, and in the event of a total datacenter failure, have been tested to fully recover in secondary and tertiary sites in less than 10 minutes of outage (the median catastrophic web service outage recovery time is 3 minutes and 52 seconds). All DNS and static asset hosting are propagated through a network of over 100 global points of presence, all API calls terminate at load balancers strategically placed around the world, and all API calls are both SSL encrypted and cryptographically signed to ensure tamper-proof connections.

## Security

Any online service responsible for handling user funds has the responsibility to be as secure as possible. In the past several years, security breaches have been widespread, causing losses of user funds from exchanges and cryptocurrency related services in the millions. While no system can ever be considered 100% secure (especially one connected to the Internet), Capdax Exchange has been engineered from the ground up with security in mind.

## Standards Compliance

Capdax Exchange aims to be fully ISO 27001 (and 27002)<sup>4</sup> Information Security Standards compliant on launch. ISO 27001 is the standard for Information Security Management; it is part of the ISO 27000 family of standards which helps organizations keep information assets secure. Adopted by thousands of organizations across the world, its implementation puts in place a systematic approach to managing sensitive organizational information, ensuring it remains both secure and available. It is a broad standard which covers process, personnel, and physical and technical security.

ISO 27001 specifies the requirements for establishing, implementing, maintaining and continually improving an Information Security Management System (ISMS).

There are many clear business benefits in adopting ISO 27001, either as best practice or by formally certifying against it. Key benefits of this compliance are the improvement of IT security that provides an independent view on the state of the security of the infrastructure, and finally increases confidence in customers that their information is stored and handled in a secure environment.

<sup>4</sup>) <https://www.itgovernance.co.uk/iso27000-family>

## Independent Audits

Prior to launch, and as a periodic requirement, Capdax Exchange must be fully audited by an independent security firm. This is not only part of the ISO 27001 compliance but as part of an additional security layer for Capdax users.

## Cold Storage of Funds

Considering that such large balances of cryptocurrencies are being stored on major exchanges, it is important to have a strong 'deep cold storage' system to keep user funds secure. In such a system, only funds that are needed immediately to process withdrawals are made available to the exchange systems. This balance is called a 'hot wallet' and is kept at a modest but adequate level at all times as withdrawals and deposits are processed. The remaining funds are locked in 'cold storage' wallets. Cold storage wallets have private keys that are generated offline with a strong security policy in place to prevent anyone other than authorized personnel from accessing the funds.

## Balance Sanity Checks

Periodically, Capdax Exchange does a scan of its balances and compares them to user wallets to make sure there are no discrepancies. In the unlikely event an attacker were to gain access to the system's 'hot wallet' and maliciously withdraw user funds, the numbers would not match, and failsafe processes are activated to prevent further loss of funds.

## Two-Factor Authentication

Two-factor authentication (2FA) is a requirement for any user wishing to withdraw funds from Capdax Exchange. Without proper 2FA, logging into an account with stolen credentials and withdrawing funds is simply too easy. Setting up 2FA with services like Google Authenticator may be a bit advanced for the most basic user, and with this in mind, there is a simple tutorial in the Basic Mode version of Capdax Exchange.

## | Volume Projections and Valuation

Over the past few months (at the time of this writing), the total global cryptocurrency trading volume ranged from US\$5 billion to US\$70 billion per day.<sup>5</sup> These figures are based on public cryptocurrency exchange volume data, and as such may actually be much higher if off-market trades and non-public exchange volume data were included.

Capdax Exchange trading fees are 0.15% + 0.25% (maker and taker) per trade. With the planned discounted trading tiers for large volume traders and token holders, the estimated average trading fee for each trade should be at least 0.15%.

5) Based on statistics from CoinMarketCap.com

Based on these numbers, it can be estimated:

US\$35 billion \* 0.15% = US\$52.5 million generated globally each day in fees

These are conservative estimates, as exchange fees vary and are in general higher than 0.15% on most exchanges. To give a real-world example, Bitfinex cryptocurrency exchange alone had trading fees amount to an average of at least US\$5 million per day<sup>6</sup> around the time of this writing. This is only in fees from the exchange market itself, and does not include fees generated from margin lending, the figures for which are not available to the public.

Capdax Exchange's conservative goal is to take 1.5% of the current market share, resulting in daily fees of:

US\$52.5 million \* 1.5% = US\$787,500 per day

Using a four year multiplier, this leads to an overall revenue valuation of:

US\$787,500 per day \* 365 days \* 4 years = ~US\$1.145 billion

However, in order to bring maximum benefit to token holders, Team Capdax Exchange has set the crowdsale goal (hard cap) for total funds raised to between US\$16-18 million. The actual amount is to be fixed at the time of the pre-sale closing date, prior to the crowdsale launch based on the fluctuating price of ETH.

6) Based on statistics from CoinMarketCap.com

This crowdsale goal is particularly conservative because:

- It is not unlikely that Capdax Exchange will be able to secure a larger market share than 1.5%
- The overall global trading volume has been increasing rapidly with no signs of slowing, meaning a 1.5% market share will likely represent a significantly greater share of the fees than it does today

## | Token Functionality and Loyalty Program

Capdax Token (XCD) is a fully audited Ethereum based ERC20 utility token that is used for exchange fees on the Capdax exchange. As an ERC20 token, Capdax Token can be traded on Capdax Exchange as well as any cryptocurrency exchange supporting ERC20 based tokens.

When a user makes a trade on Capdax Exchange, the transaction fee must be paid using Capdax Token. The number of tokens required is calculated based on the current exchange rate for Capdax Token on the exchange. When a user executes a trade but does not have Capdax Token in their exchange wallet, or the user has not opted to use their balance of Capdax Token for exchange fees, the exchange fee is taken from the base currency of the trade, and a market order is automatically executed to purchase Capdax Token for the trade. This method not only makes for a seamless user experience as it pertains to the utility token, but ensure an active market for Capdax Token with constant demand. This automatically purchased token is the distributed to Capdax Token Holders.

In order to encourage users to hold Capdax Tokens in their Capdax Token Wallets, any users who choose to hold Capdax Tokens in their Capdax Exchange wallet shall be granted gifts in the form of free Capdax Tokens as part of the Capdax Exchange's Loyalty Program. Such gifts shall be regularly distributed from transaction fees collected by the Capdax Exchange and shall be granted to Users only when and for only as long as existing Capdax Tokens are held in a User's Capdax Exchange Wallet. The operators of the Capdax Exchange may offer a proportionately larger amount of free Capdax Tokens to users who hold a larger amount of existing Capdax Tokens in their Capdax Exchange Wallet. The operators of the Capdax Exchange reserve the right to suspend, discontinue, or to alter the terms of the Loyalty Program at any time.

## | Token Generation Crowdsale

Capdax Tokens (XCD) will be generated to represent 25% of the total order execution fees collected on Capdax Exchange. A total of 51% of all tokens will be sold to the public, 33% will be held in a foundation for future growth, 12% will be paid to the Capdax team, and 4% will be paid to a Capdax ambassador program, advisor, and partnership programs. The maximum contribution amount for the public crowdsale tokens will be 6500 ETH. This number is subject to change prior to the public crowdsale, but the ETH amount will be locked in before it starts to reflect a total (public and private) crowdsale fundraising cap between US\$16-\$18 million.

## Seed Funding (Early 2017)

In early 2017, Capdax raised early seed funding from private participants representing roughly 3% of the crowdsale hard cap.

## Presale For Strategic Participants (January 2018)

Starting in January, there will be a private pre-sale for strategic participants which will be capped at a maximum of US\$9.5 million .

## Public Crowdsale (February 2018)

The public crowdsale, starting in February, will consist of 5 tiers and be capped at a maximum of US\$6.5 million. This sale will last no longer than 4 weeks. When one tier has sold out, the following tier will be immediately activated, until all tokens are sold. The tiers are as follows:

- Tier 1: 1300 ETH (25% Bonus)
- Tier 2: 1300 ETH (20% Bonus)
- Tier 3: 1300 ETH (15% Bonus)
- Tier 4: 1300 ETH (10% Bonus)
- Tier 5: 1300 ETH (0 Bonus)

Prior to the public crowdsale, participants must sign up for the waiting list and complete a simple KYC questionnaire. Once approved and the number of participants has been assessed, a maximum contribution amount will be assigned to each user to ensure that everyone who wishes to participate on the first day has an opportunity to do so. If after a period of 24 hours the hard cap has not been filled, pre-approved users will be given the opportunity to buy the remaining tokens.

Unsold tokens will be burned.

### Token Distribution (Q1 2018)

Following the conclusion of the public crowdsale, participants will be given the option to withdraw the ERC20 token balance of their Capdax Tokens. If they choose to not withdraw manually, their Capdax Tokens will be waiting for them in their Capdax Exchange account, available for trade or withdrawal upon the launch of the exchange. The public crowdsale account created during the waiting list period will automatically become a Capdax Exchange account on launch, so care should be taken to save the login credentials.

# | Business Plan / Monetization

## Use of Crowdsale Funds

The Capdax team has a long-standing track record of building stable and scalable businesses. The goal is to have an up-and-running product in full operation as quickly and securely as possible, and thus the collected funds will be distributed according to the following: account on launch, so care should be taken to save the login credentials.

## Engineering & Development 30%

The largest portion of the crowdsale funds will be allocated to the exchange development. An exchange requires a great deal of engineering and development work to function properly, and Capdax Exchange has assembled a team of top talent to build the best platform possible. Features like social trading and margin trading are additional large undertakings that require a highly skilled development team.

## Marketing 25%

In order to meet market share goals, large marketing pushes, both online and offline, will be required to bring in new users. The marketing team strives for the best and word of mouth alone will not be enough to make Capdax Exchange the most popular in the industry.

## Administration & Support 15%

Where most other exchanges fail, Capdax Exchange will provide an overstaffed and well-trained support team, quickly responding to issues.

## Security & Audits 13%

Security audits and penetration testing are both expensive and essential when being trusted with large amounts of user funds.

## Legal 2%

A thorough legal review is important to keep in line with ever-changing international regulations.

## Reserve 15%

Held in reserve for liquidity to be allocated as needed.

# | Capdax Revenue Model

## Exchange fees

Capdax Exchange generates revenue by taking a small trade fee from all executed orders. These fees are taken from both the buy order as well as the sell order. The fee schedule is as follows:

- Market Maker Fee: 0.15%
- Market Taker Fee: 0.25%

On Capdax Exchange, each trade is made between a Market Maker and a Market Taker. The Market Maker has an existing order in the order book prior to the trade being executed, and the Market Taker places a matching order, removing it from the order book. Market Makers provide liquidity to the market, allowing higher volume on the exchange and more price competition, so they are rewarded with a lower trade fee. Market Takers have a higher trade fee, but their trade is executed at the best available rate.

## Margin Trading Fees

Margin trading allows users to make trades using funds borrowed from other users backed with collateral funds. Margin traders can open long or short positions by borrowing funds and then either buying or selling. Traders can later close those positions and settle the loans. A lender is paid a lending fee by the borrower, and a percentage of that interest is taken by the exchange.

# | User Acquisition / Marketing Plan

Before getting heavily involved in the cryptocurrency world, the founders of Capdax Exchange were successful leaders in the marketing and advertising world. Bringing in a large user base is essential for any cryptocurrency exchange to thrive and have active markets. The strong execution of a well prepared marketing plan is the best way to ensure success. Outside of simple organic word-of-mouth growth, Capdax Exchange has plans in motion for paid advertising campaigns, a lead generation based affiliate commission program, a generous "refer a friend" program, community outreach, and event sponsorships. Additionally, new users will be attracted by successful leaders in the social trading platform, as well as the potential success of the Capdax Token.

## Marketing Pushes

A few key members of the Capdax Exchange team have extensive backgrounds in online marketing. Combining their knowledge of the cryptocurrency market as well as experience with large-scale paid marketing campaigns, a detailed online advertising plan has been created to build a great community and user base. A large portion of the crowdsale funds will be dedicated to onboarding new users through several marketing pushes before the exchange is launched, on launch, and when major features are released.

## Referral Program

In addition to the large-scale paid marketing pushes, a rewarding referral program has been implemented, giving bonuses to those who refer new users to the exchange. Not only are existing users rewarded for a referral, but the new users are also given a sign-up bonus for being referred by a current user.

## Community Outreach

Capdax Exchange cares about the cryptocurrency community. The Capdax founding team has been organizing international blockchain conferences and meetups since 2017. Conferences and meetups around the world are essential for the growth of the industry, and as such, sponsorships are in process for major upcoming events to not only help spread the news about the exchange, but to help fund the events themselves to make sure the cryptocurrency community grows as much as possible.

## Capdax Token

The Capdax Token being generated for the crowdsale will be immediately tradable on any exchange willing to list it, and certainly on existing decentralized Ethereum token exchanges. Each holder of Capdax Token is involved with the success of the exchange, which will create a natural viral effect as more people buy, sell, or hold.

## Social Trading Leader Promotions

As part of the upcoming social trading feature, Capdax Exchange will assist successful leaders in promoting themselves in order to gain more followers. This will not only be beneficial to the leaders, who will enjoy extra revenue from followers, but will also bring new users to the exchange who may ordinarily never get involved in cryptocurrency at all.

# | Roadmap / Timeline

## Q2 2017

- Foundation Establishment
- Team Formation
- Planning of Exchange Development
- Launching of Internal Tools & Services
- Private Seed Funding Round

## Q3 2017

- Design and Development of Crowdsale Site
- Onboarding of First Staff
- Exchange Backend Architecting
- Corporate Entity Establishment

## Q4 2017

- Frontend Engineering Alpha
- Proof of Concept Backend Alpha
- Public Awareness Community Outreach

January 2018 Strategic Presale

February 2018 Public Crowdsale

## Q1 2018

- Capdax ERC20 Token Distribution
- Exchange Backend/API Operational Beta
- Exchange Frontend Private Beta Testing
- Security Audits & Hardening
- Social Trading Development

## Q2 2018

- Capdax Exchange Official Public Launch
- First Major Marketing Push

## | Potential Risks / Risk Management

When evaluating any investment, it is important to understand the potential risks involved. Cryptocurrency exchanges all have inherent risks, as demonstrated by numerous failures by previous exchanges, as well as current ones. Users are at risk every time they trust the exchange with their funds. Exchanges are at risk by simply being exposed to the internet. Crowdsale participants are at risk as soon as they trust the project with their own money. Minimizing these risks is an important part of the planning and development of Capdax Exchange.

## Risks to Users

The most obvious risk to a user of a cryptocurrency exchange is lost funds. As soon as funds are deposited to most cryptocurrency exchanges, there is the risk that the exchange will simply close and the funds will be lost. In 2014, Bitcoin worth more than US\$6 billion at today's rates was lost when Mt. Gox, then the largest exchange in the world, unexpectedly closed its doors and filed for bankruptcy protection.<sup>8</sup> Any time cryptocurrency funds are not in a wallet whose private keys are held by the user, they are at risk. Even with an established track record of quality service, there is no way to predict if an exchange will suddenly close and funds disappear. The best way a user can protect against this is by keeping funds they do not plan on immediately trading in a wallet they personally control. Capdax Exchange helps users with this by providing easy and timely withdrawals as well as information about setting up their own wallet. Remember: Balances you do not hold the private keys for are not technically your balances.

Phishing and malware are another large threat to users of cryptocurrency exchanges as well as cryptocurrency in general. Phishing attacks have been rampant, showing users fake login pages for exchanges, or fake web wallets asking users for private keys. Many millions worth of coins have recently been stolen this way. The best line of defense for this is a well-educated user. Checking the URL in the address bar and the SSL security certificate details is a good start, along with regular malware scans. Using a hardware wallet is also a great way to prevent keylogging malware. Less experienced cryptocurrency users can't always be expected to be aware of all these threats and how to mitigate them, however. There are several steps exchanges can take to help as well. Extended Validation SSL certificates allow the users to clearly see the company name in the address bar in most browsers, and having a notice on the login page for the user to always check for this is also helpful.

<sup>8</sup>) <https://www.wired.com/2014/03/bitcoin-exchange/>

Two-factor authentication is another useful tool. Although it can still be attacked with phishing sites, malware keyloggers will be effectively stopped. Requiring verification of IP address range changes and email confirmation on withdrawals is another effective method to help reduce these risks.

In the same category as malware and phishing, account hacking is another risk. Hacked password databases are openly available, and it is easy to write a bot to attempt logging into a website with hacked credentials from another website. Weak passwords contribute to this risk as well. On the end of the user, a strong password policy is important, but most don't know how to implement one. An exchange can provide users with password policy suggestions and links to help with this. Two-factor authentication can also help mitigate hacking attempts. Email alerts on unsuccessful logins and logins from new IP ranges and requiring email verification link clicks to allow these logins are helpful, as are login attempt rate limits and the IP address blocking of attackers.

## Risks to Crowdsale Participants

Participating in the Capdax Token Generation Event presents its own set of risks that are mostly reliant on the success or failure of the exchange itself as well as on government regulation of tokens in general. If a participant puts his/her trust in Capdax, the success of that participation relies on the exchange itself being launched and operating successfully. They are trusting that their contribution will be put to good use and not wasted. They're also hoping that a government body won't deem the token illegal or regulate it in such a manner that it would become useless or dangerous to hold and trade.

At present, due to the decentralized nature of blockchain technology, the blockchains themselves do not reside in any particular country, thus the law regarding the classification of cryptocurrencies as "securities" is unsettled. With respect to legal and regulatory risks associated with this project, there is a real risk that the government where a crowdsale participant resides declares all cryptocurrency tokens or specific ones illegal to trade. Although it is impossible to know what will happen in this regard in the future, it is possible to be as safe as possible given the current regulatory environment. To this end, Capdax Token's model has been designed as a "utility" token facilitating trades on the exchange and has been reviewed by an experienced legal team. While it is impossible to know what any government will do, Capdax has done its best to decrease the likelihood of government scrutiny in the future.

As far as the success of the exchange is concerned, the largest participant risk is the project being of poor quality, being vaporware, or not being able to compete with current cryptocurrency exchanges, leading to the project failing. Luckily, the Capdax team is full of experienced leaders who are well-versed in cryptocurrency, exchanges, and the challenges facing the industry. The engineering team has experience building large-scale, high-traffic systems, and the entire project has been designed to be as good or better than any of the existing competition. The founders have also dedicated significant time and funding to planning and developing the exchange, and are determined to see their dream become a reality.

What if cryptocurrency in general fails? Is there a chance that Bitcoin or Ethereum "die"? While those things are certainly possible, and almost a certainty that there will be both large gains as well as major devaluations in the value of different currencies, or the market as a whole, the likelihood of the entire industry dying seems rather low at this point.

Cryptocurrencies are quickly becoming a mainstream solution to big existing problems, and so far have been proven resistant to censorship by outside influences. Unless some enormous flaw is found in the technology itself, this shouldn't be a problem.

What about decentralized exchanges? On the surface, this exciting emerging technology looks like it might make traditional cryptocurrency exchanges obsolete. So far, however, decentralized exchanges have failed to deliver an adequate user experience. Relying on a blockchain and smart contracts to execute every trade is both slow and expensive. Trades can take minutes to execute, if they get executed at all. Errors where the exchange technology is at fault that result in lost funds are not resolvable, as there is no customer service for a smart contract. Trading is also limited to a subset of all available cryptocurrencies. On Ethereum smart-contract based exchanges, only Ethereum based tokens can be traded, and only against ETH as the base currency. There are some ways around this involving 3rd parties creating tokens representing off chain currencies, but at that point, you might as well be using a normal cryptocurrency exchange. Centralized exchanges being made obsolete by decentralized ones may happen in the future, but the technology has a long way to evolve before that happens.

## Risks to Capdax Exchange

Running the exchange itself presents a unique set of risks due to the nature of cryptocurrency ledgers being permanent, and the large amount of money involved. There are constant attacks from all sides including hacking attempts and DDoS attacks, in addition to basic scaling issues and government scrutiny and regulation (discussed above).

Due to the large value stored by cryptocurrency exchanges, they have become prime targets for hackers over the past few years. Hacks have been responsible for losses of funds from some of the biggest players in the industry, which have caused some huge setbacks to adoption and trust. By adopting ISO 27001/27002 Information Security Standards, as discussed in the security section, Capdax has done its absolute best to prevent loss of funds due to malicious hackers. A strict cold storage policy, and constant balance integrity checking and failsafe mean users funds are safe on the exchange.

Scaling and DDoS attacks are both huge risks that affect any exchange. Bad actors can launch DDoS attacks against central points of failure in cryptocurrency infrastructure in an attempt to make financial gains. Cryptocurrency exchanges are easy targets for this type of attack. A large influx of users can also cause heavy load on the exchange itself. If the system infrastructure is not well engineered, this can cause enormous issues that many exchanges are currently facing with constant downtime and slow execution. Capdax Exchange has been engineered from the ground up to be extremely scalable and resistant to DDoS attacks.

## To Conclude: Why Capdax Over Other Exchanges?

Capdax Exchange is built on a state-of-the-art modern technology stack using best practices for high performance web applications by experienced developers from the financial sector. The team has integrated a few key leading-edge tools that you won't find on many other exchanges. Basic mode, expert mode, a masterfully inventive market research page, and social trading are just a few of the features that will help traders of all experience levels.

On top of all this, the Capdax team has been deeply immersed in the cryptocurrency community for years, and understands that it is an ever-growing ecosystem that is meant to reward you, the user.



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