The Future of OTC Market
Finance Network Platform

Xtock is a futuristic investment vehicle for the next generation OTC Platform
Abstract

Over-the-counter (OTC) refers to corporate stocks that are not traded on a publicly traded stock market. Many of the stocks that have future growth potentials or values are not properly reflected. The OTC market is managed by a few professional investors, including public institutions, investment banks, venture capital firms, individuals and brokers. For those who want to participate in other markets, the OTC market has similar issues.

From the perspective of investors

1. It is difficult to grasp the appropriate value of a company that has issued stock before investment,
2. The transparency and stability of stock trades cannot be guaranteed at the time of investment,
3. It is not possible to get compensation like dividends after investment.

From the perspective of an OTC company

1. It is difficult to grow a business when there is no proper financing plan at the beginning of a project,
2. The cost of obtaining investors is directly burdensome and difficult,
3. It is difficult to provide investment-related information directly to a preliminary investor.

XTOCK is the world’s first blockchain based real-time financial network platform, that will solve the above problems for both investors and OTC companies by innovating the investment environment.
Introduction

The Current Status of the OTC Stock Market

Today, with the advent of the Fourth Industrial Revolution, the importance of venture start-up companies that develop and apply new innovative technologies such as artificial intelligence, Internet and mobile has been emphasized once again and the investment of venture capital in these related technology start-ups is expanding rapidly with tremendous growth.

In 2016, the global venture capital market was estimated at $127 billion. Over the past three years, the annual market size has been more than $100 billion, about double the amount invested between 2010-2013. The countries that make up the largest share are the US and China, reaching $71.8 billion and $31 billion, respectively.

Although the size of the global venture investment market is growing every year, it is possible to raise capital by issuing debentures or issuing additional unlisted shares, for the initial companies that require continuous financing and the companies with high growth potential. However, there are also limitations and difficulties in doing so.

The OTC markets such as the NYSE, NASDAQ, Japan's TSE, and Korea's KOSDAQ, have an intrinsic characteristic that it is a market for trading stocks of unlisted companies. It has the disadvantage of low liquidity and transparency. Most of the off-the-shelf equity investments are made through private brokers, and transaction details are not exposed as public information because trading partners are trading in a P2P format. This is accompanied by the risk of credit, and the damage caused by inconsistencies.

In the US, since the early 20th century, companies such as the OTC Markets Group have operated a platform for trading these off-the-shelf stocks, and companies such as Robinhood have been following the genealogy. In Korea, the Korea Financial Investment Association establishes and operates a system for brokering the quotation of stocks under the name of K-OTC. It also provides OTC stock information on an online site ‘38 Communications’, provides information on OTC companies, and operates online Communities for shareholders.
Introduction

The Problem

In order for the sale of OTC stocks to take place in the market, OTC companies must register with the Korea Financial Investment Association. It is difficult to obtain information on initial start-ups other than those with high performance, and the reliability of information acquired through the OTC stock community is questionable. So investors are unable to rely on the accuracy of information and this is a great risk to consider.

From the perspective of companies, companies attract investors through over-the-counter investment sites. In reality, it is difficult to directly convey investment-related information to highly potential investors who have high acquisition costs. In order to support the OTC market, demand for research and analysis through government-affiliated research institutes and companies is steadily increasing, but progress is still difficult due to lack of reliable information.

If the production, sharing, and exchange of accurate information on OTC stocks can be made transparent, investors can continue to invest in stocks based on accurate information. This will make it possible for companies to raise funds.
Project Description

Project Introduction

Xtock uses blockchain technology to issue and digitize tokens that digitize corporate assets of an OTC company. This creates an ecosystem that can be used widely, from general OTC corporate information management to corporate banking services.

Currently, most of the OTC company information is shared among a small number of specialized investors such as investment banks and venture capital firms. By building a blockchain based system and token distribution platform, this will overcome such an environment. Xtock wants to make it easier for companies to share the level of information that "professional investors" have.

Xtock will also continue to provide opportunities for all participating participants to receive economic benefits. It will encourage analysts to provide more accurate information by providing compensation to these analysts. Investors will be provided with accurate information and ultimately develop a platform where producers and consumers of investment information can coexist. We will support the development of various OTC related services based on the accumulated OTC companies and market information.
2.2 Process Overview

Corporate Listing Valuation: The Xtock platform publishes credit rating agencies’ reports on outsourcing companies. In addition to the issued corporate valuation report, an Xtock judging panel composed of IB will publish an objective report evaluating the company’s token white paper, listed value, major shareholder eligibility, investor protection, corporate financial data, and patent portfolio. From these reports, the value of the enterprise is determined and the preliminary listing is determined through the algorithm-based company analysis of the AI advisor provided by Xtock Partners.

Establishment of Asset Backed Securities: If the desired amount of preliminary investment is achieved by a certain percentage of the total amount of token issuance, the preliminary listed asset details will be issued. At this stage, assets of the token issuing entity will be secured by the depository institution.

Issuance of OTC Tokens: In the issue phase of OTC tokens, it is linked to the consortium blockchain and the network of the depository institution. With the issuance of the token, the company information used in the listing evaluation is linked to the smart contract of the token and issued on the blockchain. Any updates to company information is recorded in real time in the smart contract.

OTC Token Allocation: An ITO fee corresponding to a certain percentage of the OTC tokens issued through the ITO process is generated, and the holder of the Xtock token within the Xtock Trading Center can receive a certain amount of the fee based on holder’s contribution in community for the newly issued OTC token.

Listed on Xtock Platform: After the OTC token is listed on the Xtock Trading Center, the asset and contract functions of the token are separated and managed by the consignment agency. The Xtock Trading Center enables real-time smart contracts to avoid double-selling risks, a vulnerability in OTC transactions, and transparent and secure transactions between verified participants through KYC / AML certification within the Xtock platform.
2.2 Project Description

Process Overview

To be eligible for XTOCK token listing, participating companies must meet the following and procedures. The process of listing ITO tokens is followed by request application, review and approve, demand forecast, subscription, and listing tokens.

Basic eligibility assessments are performed when a token is submitted for listing.
Companies issuing OTC Tokens must be evaluated through Xtock Evaluation Matrix (XEM) and the enterprise valuation process. XEM is a valuation method to evaluate a company’s objective indicator analysis and future valuation in a balanced way. It aims to manage the potential risks of the enterprise and help growth companies to grow through a balanced reassessment. The data analyzed through the XEM Assessment Matrix is kept in real time with a permanent record in the token smart contract of OTC companies, ensuring transparency with constant updates from 52 companies and investors.

XEM evaluation will determine the listing price of unlisted preferred OTC tokens. Investors will be selected through a participating offer. This method will secure the legitimacy of the process of calculating the token issue price of newly listed companies and to prevent losses of investors due to uncertainty. A second offer to regular investors will be offered an allocated amount of issued tokens.
2.3 Project Description

A variety of information that is transparent, reliable, and legitimate information helps investors make the right investment decisions. If the ratio of professional investors to general investors is low and it is ruled that the listing is difficult, the listing will be withdrawn after consultation with the OTC company. Each OTC token is issued on the public Ethereum blockchain in accordance with the ERC20 or ERC223 standard and can be traded on the Xstock platform as an Xtock token.
The Xtock protocol is a technical convention for maintaining the Xtock ecosystem. The Xtock protocol creates digital OTC tokens through smart contracts as the underlying assets of a collateralized OTC company, and the information in the OTC tokens is maintained by two layers: the public Ethereum blockchain and the Xtock consortium blockchain.

OTC tokens are issued in the form of ERC20 or ERC223 token on the public Ethereum blockchain, and a smart contract that legally guarantees that the tokens can be redeemed separately from the token smart contract is created with the digital signature of the entrusted institution and the OTC company. Tokenization of assets and assetization of tokens occur in the public Ethereum blockchain, but the stability of ownership proof, transaction and transfer of token is technically guaranteed through the Xtock consortium blockchain.

The Xtock protocol provides transparent access to transaction details, contract information, and owner information in smart contracts linked to OTC tokens. This enables real-time access to up-to-date information on tokens.
The information that is linked to the OTC token by smart contract is as follows.

1. The ratio of the assets and tokens of the OTC company and the basis of detailed issuance of the tokens are specified. The evaluation indicators and criteria for initial listing by XEM are recorded and can be accessed at any time.

2. When the supply and valuation of OTC tokens changes due to the capital increase and third party allocation of the underlying assets of the company, the basis and execution details of the OTC tokens are linked to the OTC token contract instance.

3. The distribution of OTC token holders can be inquired. The holder's personal information is hashed information and is recorded in the Xtock consortium blockchain. Therefore, indirect proof can only be obtained through zero-knowledge proof if it is not a personal information trusting organization.

4. In the Xtock Consortium blockchain, status information about a recent transaction history and transmission history of the OTC token changes in real time. This status change is compressed into a merkle root at regular intervals and is periodically synchronized to separate smart contract instances on the public infrastructure blockchain to ensure transactional consistency.

5. A Smart Contract instance for logging audit information of an OTC enterprise is distributed separately on a public Ethernet blockchain and connected to an OTC token contract instance that is periodically accessed on the Xtock platform during the existence of the OTC token of the OTC enterprise.

6. Most of the information is recorded after being encrypted by applying the private key of the Xtock platform and the OTC company to the public Ethereum blockchain and the user of the Xtock platform records the decrypted information through the Xtock platform and the public key of the OTC company on the Xtock platform. Users can view its convenient user interface using a browser.
The Xtock Trading Center can be used to trade OTC tokens. The Xtock Trading Center has the advantage of having tokenized assets to take advantage of various trading vehicles and liquidity.

In a trading platform with a lot of liquidity, the frequency of transactions is inevitably high, and the state change is also rapid. This is a difficult area to include in a public block chain. Therefore, the transaction information and status changes of the OTC tokens in the Xtock Trading Center are synchronized to the Xtock consortium block chain, and the Xtock Consortium blockchain consists of the nodes of the Xtock platform, the nodes of the trustees, and the nodes of the outsourcing enterprise.

The right to retain OTC tokens is determined by the KYC rules established by the statutory basis on the Xtock platform. In other words, only the account of the user registered in the whitelist can have an OTC token. This is shared by the public etherium block chain and the Xtock consortium blockchain.

The primary proof of ownership of the OTC token is made at the Xtock Trading Center, which records the state change at the fastest rate. The Xtock Trading Center will maximize the liquidity of its tokenized assets by operating 24 hours a day. While at the same time applying price-limiting or circuit breaker rules for stable market operations.

For state change events that change the supply of OTC tokens, the logic and execution is done on the smart contract of the Xtock consortium block chain, and the Xtock protocol synchronizes these state changes within the Xtock consortium blockchain according to the PBFT consensus scheme.
Token Economy

The Xtock token is an independent indicator of the economic value of the Xtock platform, and is an exchange used by investors and OTC companies within the platform.

The Xtock token has the following functions.

1. Xtock Trading Center’s Main Means of Trading

   It is possible to pay an Xtock token to purchase an OTC token, or to sell an OTC token and receive an Xtock token for use in purchasing another OTC token. It also serves to provide sufficient liquidity for the initial OTC token market.

   For the liquidity and community activation of OTC tokens, OTC tokens of companies with high growth potential which attracts public interest and participation will be listed on the Xtock Trading Center at the early stage. Also, various events such as mass marketing and rewarding with Xtock token to investors will activate Xtock Trading Center trade liquidity.
Token Economy

2. **Access to Information Provided by the Xtock Community’s OTC Company**

The Xtock Community Center provides all of the company’s information through the community to assess investment information, financial stability, risk management and growth potential of the tokenized OTC underlying assets.

The Community Center enterprise analytics column provides critical data that impacts stock prices in real-time, including the latest news from OTC companies, financial changes, shareholder information, disclosures, changes in key assets, and periodically updates corporate valuation reports through the Xtock Advisors group.

The Xtock Community Center also provides investment tools such as charts, ancillary indicators, and competitor algorithm analysis, and pays Xtock tokens to individual investors who share information with OTC companies.

3. **Pay for OTC Token Listing fee**

The OTC companies use Xtock token to pay for token listing fee (ITO agency fee).

4. **Reward to Xtock Trading Center Users**

Partial exchange fees from investors’ OTC trade are used for XTX rewards, it’s to increase value of Xtock token by obtaining liquidity of token and providing incomes to investors’ spending.
Project Roadmap

2017.05
Integrated finance platform 'P2P star' launched

2017.09
Patent filed: P2P-based financial technology service method and system using equity security

2017.09
Patent filed: P2P loan screening method and system using securitization of collateral

2018.08.01
Official Site Open

2018.01
Cryptocurrency information platform 'Coinfunding', P2P crypto trading service 'P2P Coing' launched

2018.09.01
Private Sale Start

2018.11~12
Pre Sale (Exchange)

2019.02
Xtock Wallet Beta Open

2019
ITO Company Announcement

2019.03
Xtock Trading Center Beta Open

2019.06
Global Alliance

2019.05
Xtock Trading Center 2.0
Xtock Wallet 2.0 Open
**Team Introduction & Advisors**

**Team Intro**

**Jason Park**  
Co-founder. CEO  
- CEO of Pocketmobile Co. ltd.  
- CEO of BraveInnovation  
- NHN UX Senior Manager  
- Naver mobile SEO manage

**Jeff Wentworth**  
Blockchain Advisor  
- Co-founder of Curvegrid  
- Vice President of Goldman Sachs Tokyo  
- Senior Technology Analyst at Goldman Sachs Tokyo  
- Account Management Engineer at Dell EMC

**Young Jung Kim**  
Head of Blockchain Dev  
- CTO of Pocketmobile Co. ltd,  
- BraveInnovation  
- Now on Play

**Sang Lee**  
Business Development  
- Thinkson Marketing Agency CEO  
- Callinus Co. Ltd, CMO  
- Bowtape global Marketing  
- SBS Contents Sourcing Team  
- Pennsylvania State University Communications Major

**Chang hwa, Cho**  
Business Development  
- WB Holdings Business Development  
- Blockchain Exchange OTC & C2C Plan  
- Chungnam University Economics Major

**Hunhee, Cho**  
Global Business/ Legal  
- Attorney at Law (Washington, D.C.)  
- Legal Consultant at D’LIGHT Law Group

**Jae Ung Ko**  
Blockchain Dev.  
- Pocketmobile POS system  
- AOS application Dev.  
- Naruware mobile Dev.

**Chae Yoon Park**  
UX/UI Design  
- Insureum Design  
- Hanyang University  
- Entertainment Design Major

**Tae Hee Kwon**  
Blockchain Dev.  
- Walten Blockchain  
- Hanshin University IT

**Jung Su Kim**  
Business Development  
- Walten Blockchain  
- KB insurance sales team
Team Introduction & Advisors

Advisors

Jay Hwang
Head of Advisor
- FoundationX CEO
- FuturePlay Partner
- Ad-OS Advisor & Investment
- Airbloc Protocol Advisor & Investment

O Kwon
Business Advisor
- FoundationX Partner
- FuturePlay Partner
- Finomial software BD
- Deloitte BD
- Deloitte CPA

Heslin Kim
Strategic Advisor
- VP of Business Development Polymath
- Digital Strategies of Digital Assets Private Equity
- CEO of Blockchain ROK

Jaehoon Choi, PH.D
Technical Advisor
- Lyze Inc. CEO
- Konolabs Inc. CTO
- Opinion CEO & Co-founder
- Microsoft Research
- Korea Univ. Ph.D Computer Science and Data Mining

Jongho Kim
Technical Advisor
- Lyze Inc. Co-founder,CSO
- FoundationX Strategy Lead
- Plim Inc. Inventor
- FuturePlay IP Lead
- LG Electronics Patent Engineer

Jisoon Lim
Engineering Advisor
- Engineering Advisor CSO of UPSIDE
- PlusCoin Project Lead
- Head of Product in METAPS PLUS.
- M.S KAIST Brain Engineering Dep
Token Sale

6.1 Token Sale Details

XTX No. of Token Issued:
10,000,000,000

Burned amount of XTX:
2,400,000,000

Total amount of XTX:
7,600,000,000

6.2 Token sale schedule

Pre-Sale (Exchange Sale): 2018. 11 ~ 2018. 12 (Extend until at the end of token sale)

Exchange Listing: TBD (IEO at the end of the token sale)
Token Distribution Plan

Token Sale

- 25% Dev & Operation
- 30% Reserve
- 20% Bounty & Marketing
- 10% Team
- 5% Advisor
- 10% Token Sales
- 15% Team
- 20% Bounty & Marketing
- 5% Bounty & Marketing

Use of Proceedings

- 45% Development & Operation
- 15% Strategy Partner
- 15% Global Partner Developer Support
- 20% ITO & Xtock Marketing Partnership
- 5% Legal
Token Sale

Use of Proceedings

Development & Operations (45%)
- Xtock protocol development and operations
- Xtock Trading Center development and operations
- Xtock Wallet development and operations
- XEM(Xtock Evaluation Matrix) system development and operations
- Xtock community center operations

Xtock Marketing & Partnership (20%)
The rapid settling of the Xtock platform not only shortens the time period for a potential growth company to become known to the world, but also accelerate the marketing effects that are most needed for a company to grow.

Global Partner Developer Support (15%)
The proceedings will be used to finance the establishment of Xtock's global trading centers and the establishment of branch offices and support for partner development.

Strategic Partner (15%)
It is used as a fund to build a sales partner for Xtock's steady growth and business expansion.

Legal (5%)
To establish a legitimate ecosystem, Xtock have established legal advisory groups in each country and advised legal advisors of Xtock and ITO companies.
Xtock have accumulated a variety of financial market experiences centering on OTC companies through the operation of OTC corporate investment information and P2P loan platform for OTC stocks, despite the low accessibility of the OTC market due to financial policies and technical reasons.

Based on this experience, the Xtock project is based on blockchain technology, from evaluating companies to financing, evaluating the transparent assets of OTC companies, and structuring OTC corporate financial networks and ecosystems.

Xtock is not just a platform for trading tokens of assets of an offshore company, but it is a platform to share precise outsourcing company information transparently. Participants can freely create, share and exchange information on the OTC company based on rational compensation. Xtock will build a healthy financial ecosystem that enables companies and participants to win together.

With the goal of expanding the global market for the Xtock platform, Xtock will provide broader investment opportunities to participants, and provide opportunities to grow into a global company to the companies worldwide.

We would appreciate your interest and participation in Xtock.

Thank you.
Thank you

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