

iFinex Inc.—The Present and the Future

Current and Forthcoming Platforms, Products, and Services¹

May 2019

Note: Most of these platforms, products, and services are currently unavailable to U.S. persons; their respective terms of service restrict U.S. persons from using them.

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¹ Some of the platforms described herein are still being developed and so these materials involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the forward-looking information will not occur, which may cause our actual performance and financial results in future periods to differ materially from any description herein. Important factors that could cause actual results to differ materially from expectations include, but are not limited to: business, economic and capital market conditions; industry regulations in which we carry on our business; current or future laws or regulations and new interpretations of existing laws or regulations; legal and regulatory requirements; market conditions and the demand and pricing for our products; our relationships with our customers, developers and business partners; our ability to successfully define, design and release new products in a timely manner that meet our customers' needs; our ability to attract, retain and motivate qualified personnel; competition in our industry; technology failures; failure of counterparties to perform their contractual obligations; systems, networks, telecommunications or service disruptions or failures or cyber-attack; ability to obtain additional financing on reasonable terms or at all; our ability to manage risks inherent in foreign operations; litigation costs and outcomes; our ability to successfully maintain and enforce our intellectual property rights and defend third party claims of infringement of their intellectual property rights; our ability to manage foreign exchange risk and working capital; and our ability to manage our growth. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Readers are cautioned not to place undue reliance on forward-looking statements or projections.

Bitfinex

Overview

Bitfinex is a cryptocurrency trading platform providing advanced services for digital currency traders and liquidity providers. Bitfinex is one of the world's most advanced cryptocurrency trading platforms, and one of the largest exchanges by volume for trading bitcoin against the U.S. dollar.

Background

Bitfinex was founded in 2012, making it one of the first professional platforms set up to accommodate for the booming interest in legally-compliant cryptocurrency trading. It was created with the vision of building industry first products and tools that accelerate the blockchain promise of freedom and scalability set out in the original Bitcoin White Paper, "Bitcoin: A Peer-to-Peer Electronic Cash System," released in 2008.

Key Features

1. Exchange Trading

At the heart of Bitfinex are central limit order books for a wide array of high-quality cryptocurrencies. Users can deposit, trade and withdraw bitcoin, Ether and other cryptocurrencies against U.S. dollars and bitcoin and benefit from an advanced trading interface. Bitfinex provides users with a large selection of digital assets & order types to help customers optimize their trading strategy.

2. Margin Trading

Bitfinex allows users to trade with up to 3.3x leverage, receiving financing with the help of our margin funding/peer-to-peer financing platform.

3. Margin Funding (P2P Financing)

The Margin Funding (P2P) market gives users ("lenders") a way to earn interest on their digital assets by lending their funds to other users ("borrowers") who wish to trade with margin. "Lender" users can offer financing to "borrower" users at the rate and duration of their choice, or they can lend at an automatically adjusting rate that we refer to as the Flash Return Rate (FRR).

4. Over The Counter Market (OTC)

Bitfinex offers a private OTC Market as an avenue for traders seeking to perform large trades directly with a counterparty in a legally-compliant manner, bypassing the public order books.

Trades performed via the OTC Market may provide access to large liquidity with less effect on the exchange market price.

5. Professional Connectivity

Bitfinex is one of the first major cryptocurrency exchanges in the world to provide a secure, dedicated low-latency connectivity solution for institutional clients. Our partnership with Market Synergy² offers professional traders and institutional firms the cross-connectivity, co-location, and VPS solutions, supported by around-the-clock assistance and industry-renowned expertise.

6. Advanced Mobile Trading

The Bitfinex app adapts the full functionality and features of Bitfinex for “on-the-go” traders, including “quick view” that enables customers to understand their current progress at a glance, as well as response widgets, persistent settings across devices, and biometric identification for security.

7. Honey Framework - Algorithmic trading tools

The Honey Framework (HF)³ brings easy to use algorithmic trading tools to our traders. Right now it is available in Node.js and Python. The Honey Framework is designed so that traders can run their trading strategies locally on their own machine, which is connected to the Bitfinex API. The framework comes with a set of pre-defined algorithmic orders, for example Iceberg orders, i.e., larger single orders that have been divided into smaller limit orders. Indicator-based signals, i.e. RSI (relative strength index), are also possible. Traders can also easily add their own algorithms and indicators to build trading strategies. For backtesting, there is a backtesting library to run the strategies on historical trading data. DAZAAR, our forthcoming decentralised P2P market (see below), integrates seamlessly into the Honey Framework. This is designed to enable traders to sell the signals of their trading strategies in the P2P market, without having to share the algorithm, which runs locally on their machine. The trading signals are also easy to integrate into the Bitfinex UI to enrich the personal user interface.⁴

Operational Status

Live since 2012.

Contact

Support: bitfinex.com/support

Business Inquiries: rj@bitfinex.com

² See <https://www.bitfinex.com/colocation>

³ See <https://medium.com/bitfinex/announcing-the-honey-framework-algorithmic-orders-8065fb70c65c>

⁴ See <https://medium.com/bitfinex/power-up-your-strategy-on-bitfinex-9b49459a10a6>

Ethfinex Trustless

Overview

Ethfinex Trustless⁵ was the first product developed and launched using on-chain settlement and enabling self-custodial trading, whilst at the same time directly linking into the Bitfinex order-books. With full trader control of assets, no deposits and withdrawals, and a direct connection to the Bitfinex order books, it has become one of the largest exchanges making settlements on the Ethereum blockchain.

Background

The concept for Ethfinex Trustless was first announced in a whitepaper in August 2017.⁶ Around this time, there were a number of high-profile, publicly-reported exchange hacks and data breaches. In the minds of the Bitfinex team, decentralization offered a potential solution to a security problem. The first strand of many research pieces led to Ethfinex Trustless. (This research has also led to the eosfinex concept and several other projects.) Decentralized approaches share a common theme of putting control back into the hands of our customers.

Features

With an overarching vision of decentralizing trading solutions on a global scale, Ethfinex Trustless provides high-liquidity trading solutions to over 57 Ethereum based tokens:

- Full Control of Funds: Traders maintain full control of funds at all times by connecting directly via any of the six supported hardware and web wallets, as well as all Ethereum-enabled mobile browser wallets.
- Connection to Centralized Order Books: Ethfinex Trustless allows direct trading against the Bitfinex and Ethfinex order books, removing the liquidity constraints associated with current decentralized exchanges.
- No Deposits or Withdrawals: Instantaneous trading is possible by connecting via wallets and removes the need for deposits and withdrawals. Further, the off-chain matching system can provide rapid order execution.
- Arbitrage: The fast trade process has made Trustless ideal for arbitrage traders who want to take advantage of spreads between exchanges without waiting for their deposits and withdrawals to be processed. Ethfinex Trustless frequently has trading over 1 million USD per day, accounting for 1-2% of total Bitfinex daily trading volume on many occasions.

Operational Status

Since 2018 the web application and API have been live,⁷ allowing anyone to trade the many Ethereum tokens and pairs directly from hardware wallets, such as Ledger and Trezor, or

⁵ See <https://trustless.ethfinex.com/>

⁶ See <https://www.bitfinex.com/ethfinex-whitepaper.pdf>

⁷ See <https://blog.ethfinex.com/introducing-ethfinex-trustless-2f7390955fe0/>

other Ethereum wallets. The API uses the open-source 0x protocol standard, enabling easy interoperability into other decentralized applications and wallets running on Ethereum.

The high cost of on-chain settlement has led to Ethfinex exploring several second-layer scaling solutions, including zero-knowledge proof technology, which could allow batching of huge numbers of transactions into single transactions on Ethereum. Significant research has been done on this topic through a collaboration by 0x and Starkware,⁸ and Ethfinex intends where possible to contribute to this development and other development in the open-source domain and potentially use the technology to help scale Trustless.

In addition, there are several areas of active development:

- Ethfinex is a member of WBTC and is able to issue “wrapped BTC”—the first ERC20 token backed 1:1 with bitcoin—on Ethereum. This will enable the extension of the platform to support Bitcoin trading pairs in the very near future.
- A self-custodial OTC desk functionality has been developed.
- Adding leveraged/margin trading is one of the most commonly requested features, and given Bitfinex’s other products, this is an expertise area which can potentially be made available in a Trustless way on Ethereum.

Contact

For further information head to <https://www.ethfinex.com/> and <https://trustless.ethfinex.com/> to see the live Ethfinex platforms. Or visit the [Ethfinex Telegram Group](#).

Nectar

Overview

The Nectar Token (NEC) is the native token of Ethfinex. Nectar (NEC) was one of the first examples of an exchange native token. It was created as part of Ethfinex’s path to decentralization, providing those that contribute to the platform with a proportional stake in the long-term success of the exchange. It entitles holders to 50% of trading fees on Ethfinex, and is used throughout the platform for governance purposes. The NEC token has been a key experiment in governance and exchange incentives.

Background

The NEC token community has been at the forefront of distributed governance, and has shaped the Ethfinex vision over the past 18 months. The Ethfinex Governance summit in Lugano in 2018 saw some of the industry’s best projects come together to explain their vision of distributed governance and join Ethfinex on its journey.

Key Functionality

Key aspects of the NEC token:

⁸ See <https://blog.0xproject.com/0x-roadmap-2019-part-2-scalability-r-d-c0fc2d5101e5>

MARKETING MATERIALS—SUBJECT TO CHANGE

- Traders earn NEC tokens for providing liquidity (executed maker trades) on Ethfinex.
- NEC token holders are entitled to 50% Ethfinex trading fee share.
- NEC holders are given free Ethfinex Voting Tokens (EVT) which they can use to vote new tokens onto the exchange during the monthly community vote. These EVT tokens can be used to vote, entitling the voter to a share of 10% of trading fees or sold in the market.
- Extraordinary votes are taken by NEC holders for key platform decisions.

Operational Status

Over the past 15 months Nectar tokens have continued to be earned by the most active traders on Ethfinex, with a total of 207m now issued.

Contact

Please head to <https://nectar.community/> for further information

Coming Platforms, Products, and Services

Bitfinex Derivatives

Overview

From its expected June 2019 launch, qualified Bitfinex account holders will be able to trade a new hedging product through a derivatives wallet. The product will have USDt-based collateral (unavailable in the rest of the market), up to 100x leverage and isolated margin for individualized risk level.

Background

Through cutting edge innovating and best in class technology, Bitfinex has established itself as a market leader in digital asset spot trading. To further leverage the scalability of our trading platform and increase customer choice, Bitfinex plans to expand into digital asset derivatives. Our planned derivative offering will focus on the following key goals:

1. Products must be **transparent and easily understood**. This can lower the learning curve and facilitate customer adoption. The digital asset derivatives space is awash with awkward products features and unnecessarily complicated formulae.
2. Products must be **useful and available when needed**. Like traditional markets, there is a genuine need for derivative products that can be held long-term and used to hedge risk. Additionally, the market demands products that are available for trading to all customers even during periods of heavy volume.

Key Features

1. **BTCUSDt non-inverse-style derivative**. Position margin, P&L and price will all be denominated in USDt, the quoted currency. Because of the liquidity and price discovery that already exists in many Bitfinex spot markets, Bitfinex will be able to

provide a one-stop-shop for lending, spot, margin and derivative trading. Providing derivatives trading via the well-known Bitfinex UI and API interfaces will facilitate adoption and further increase the ability of traders using our platform to capture market opportunities.

2. **High leverage** (up to 100x) on the underlying pair.
3. **Perpetual** in nature. A perpetual contract will better aggregate liquidity and is a convenient alternative to rolling futures positions from one expiration to the next.
4. **Correction Fee Dynamics.** The perpetual contract will employ an innovative correction fee/rebate model for coupling the derivative price with the price of the underlying asset. This method replaces the funding model (i.e. the periodic swapping of payments every 8 hours) with a mechanism that allows a trader the ability to estimate, before placing an order, the real costs of holding (or closing) a position. By removing funding, this product no longer exposes the trader to the risk of variable periodic funding payments. This makes the Bitfinex Perpetual the first perpetual contract on the market geared towards traders who demand tight control of the risks associated with position ownership.

Operational Status

Anticipated June 2019.

eosfinex

Overview

eosfinex is a high-performance on-chain trading platform built on the EOS.IO blockchain network. eosfinex will combine the scalability and speed of EOS with Bitfinex's industry-dominating expertise to deliver a fast, transparent and secure platform for digital asset trading.

Background

eosfinex was created to research, sandbox and leverage the capabilities of EOS and simultaneously deliver a high-quality trading experience. Having supported EOS and the EOS community since its inception, it was the next natural step to add eosfinex to the iFinex family.

Key Features

- **Performance** - EOS has the ability to process 1000x transactions per second with minimal fees and confirmation times, setting a new standard for an on-chain exchange.
- **Decentralisation** - eosfinex is a fully on-chain platform with core components hosted on the EOS blockchain. This includes order books, matching engine and custody.
- **Trust** - As a fully on-chain digital asset exchange, exchange actions will be secure, transparent, auditable and controlled by traders themselves.
- **EOX token** - eosfinex is built around the EOX token, which is required to link the eosfinex sidechain and the EOS mainchain. The EOX token provides a way of allocating exchange resources based on the amount of EOX a user has acquired and

MARKETING MATERIALS—SUBJECT TO CHANGE

staked. A user will also use EOX to buy RAM for placing resting eosfinex orders and potentially for loading a custom smart contract onto their sidechain account. The EOX token will trade on eosfinex and Bitfinex.

- **Order types** - eosfinex will support market, limit, immediate-or-cancel, and post-only orders. The configuration of eosfinex allows for the creation of increasingly complex order types based on user feedback and what is considered logical on a distributed exchange.

Operational Status

eosfinex launched in beta as a controlled [paper-trading](#) environment in March 2019, and is scheduled for complete roll out in June 2019. With the launch of eosfinex, we will also add USDt support to the EOS network, which is eagerly awaited by the community. This will enable traders to trade Tethered USD on the eosfinex sidechain or use them on the EOS mainnet, further strengthening the EOS network by providing more possibilities for innovative products and solutions.

Contact

To learn more about developments within eosfinex, visit eosfinex.com or contact info@eosfinex.com.

iFinex IEO Platform

Overview

The iFinex IEO platform will allow anyone with a Bitfinex or Ethfinex account to contribute to pre-vetted token sales directly from her personal exchange wallet. (Non-exhaustive checks as to technical, financial, and legal compliance are performed.) Projects that successfully raise capital on this platform are subsequently listed on the two exchanges, as permitted by applicable law, and token sale participants receive their subscribed tokens in their exchange wallets. The first token sale is scheduled for June 2019.

Background

What it means to be an exchange has evolved alongside the maturing crypto market. It has become an entire ecosystem, not just limited to the remit of trading digital assets. The iFinex IEO platform was conceived to bring iFinex users something unique and different: access to new, high-quality projects. It was also born in recognition that some ICO shortcomings may have been avoided if vetted and operated through a trusted, quality environment.

Functionality

Initially built and developed by Ethfinex, the iFinex IEO platform could expose new token projects to the qualified Bitfinex and Ethfinex users, who will be able to log into the iFinex IEO platform with their existing accounts, and the funds held on both exchanges can be invested directly into the token sale, to the extent permitted by law. Exposure to as much capital as possible provides a token sale with the best opportunities for success. The iFinex IEO platform intends to work only with the very best crypto projects in a legally compliant way.

Operational Status

The iFinex IEO platform is due to launch in June 2019.

Contact

Please view the holding page for the iFinex IEO platform at <https://token-sales.ethfinex.com/token-sales> (web address subject to change upon launch) or email partners@ethfinex.com

A Licensed & Regulated Security Token Exchange

Overview

This venture will introduce an exchange platform combining the existing securities market with the distributed ledger technology ecosystem, under the regulations emerging from some of the world's most important financial hubs. Through the digitization of securities, the exchange will be designed to bring liquidity and transferability to assets. It will allow wider, qualified investor audiences to partake in previously inaccessible opportunities and bring wholly new assets to market. This exchange will only be available to customers permitted under applicable regulations and will not be available to U.S. customers.

The exchange will make use of the iFinex platform technology expanded for ongoing regulatory compliance, with third-party regulated market infrastructure including compliance partners, and a large clearing and settling bank. We selected the most promising blockchain protocol, Dusk Network. Its comprehensive smart contract standards facilitate the tokenization process. The exchange will have the capability to host the issuance of securities and the consequent possibility to trade these securities. The primary market can be used to raise funds by doing a sale or issuance. In the secondary market securities are traded multi-laterally using an orderbook and matching engine.

Background

Security tokens are a nascent technology whereby traditional assets, such as equity or debt, are represented by a token on a digital ledger. This asset-backed token paradigm disrupts market parameters by greatly reducing the inefficiencies associated with the issuance and trading of securities, primarily the difficulty to sell and transfer. These digital assets are increasingly heralded as the next big wave for the sector.

Key Features

Focus

The venture will focus on issuing, listing, and trading the following assets:

- Equity
- Funds (ETF's)
- Debt
- Commodities (Gold, Silver, etc.)

MARKETING MATERIALS—SUBJECT TO CHANGE

Within these assets we select candidates that can offer value and differentiation for our customers. For example, listed and traded equity may belong to companies worth at least several hundred million dollars in market cap. These companies may be lightly traded, illiquid, and inaccessible. Tokenization can help solve this, in a legally compliant way, by removing the barriers to transfer and making it easy to offer assets to a large investor audience.

Licenses

Positing Europe as venue, the most relevant license required to operate a security token exchange is the license to operate a Multilateral Trading Facility, or MTF for short. This requirement is prescribed by MIFID II, which is the regulatory directive in Europe's financial sector. An MTF license may take up to two years or longer to procure and is required to operate an order book, trading engine, and settlement protocol, thus allowing us to host a trading venue and make markets for securities. Our work in this sector represents a significant strategic advantage in the space.

Finally, the venture would operate under Regulated Market (RM) and Investment Firm (IF) permits, which bring additional strategic advantages. The latter permit would allow us to offer investment services, such as the issuance of securities on the platform, or the possibility of investing in hosted propositions. These permits bring additional commercial flexibility and diversified revenue streams.

Operational Status

The venture is fully incorporated, banked, and ready to operate immediately under the MTF, RM, and IF licences required of a compliant securities exchange in Europe. It has started technical development, initial asset offerings and listings have been identified, and strategic partnerships are formed to ensure continuous deal flow.

DAZAAR

Overview

Dazaar is conceived as the next generation marketplace, enabling anyone to share and retrieve large data sets on a decentralised, open-source, free, and encrypted network, without borders. This not-for-profit venture will be open to anyone and easy to extend. It is scheduled to launch within the coming months.

Background

While it is easy to collect data, it is harder to share, sell or buy it. Centralized platforms like Mashape try to fill the gap and offer API proxies, however they limit innovation and use cases through walled gardens. Another downside is that they enforce HTTP as protocol to proxy the responses behind a buy-wall. HTTP is great for browsing the web and also works well with standard REST APIs. However, HTTP becomes inefficient for replicating large data sets and real time information. Additionally, those gateways add latency to the responses and usually do not support live streaming, making them unusable for real time data.

MARKETING MATERIALS—SUBJECT TO CHANGE

Dazaar will combine the power of a P2P network with tamper proof append-only logs to fill the gap with a decentralized open source P2P market for data.

Key Features

- Open Source payment modules to facilitate P2P payments for the database "hypercore" - With Dazaar we change the world of micropayments for data. Every participant can offer data feeds on a public P2P network. Payments could happen as one-time payments if the seller requires it. They can also opt for a subscription model, where the buyer has to pay a certain amount within a predefined time frame. An example is 0.5 EOS or 1 USDT on Lightning every 15 minutes.
- Unrestricted data types - With Dazaar users will be able to sell and share access to any kind of time-series data they consider valuable for the community, within applicable laws and regulations. For example, traders and market makers can use Dazaar to sell a stream of trading signals. Other users might use it to sell a stream of daily book recommendations.
- Easy and bespoke payment mechanisms - Dazaar will be easy to extend with custom payment adapters to support any type of payment. The modules only need to create a link between the transaction and the Dazaar public key of the buyer.
- Seamless integration into the Bitfinex ecosystem: pre-built support for the Honey Framework to sell algorithmic trading strategies. UI integration with our remote signal chart API.
- An information hub - At the centre will be a website to, in a legally compliant way, offer data, to get information how to consume the data and a rating system to rate sellers. It will also contain examples and education for traders and data scientists to integrate Dazaar.

Operational Status

In development, launch estimated within 3 months.

Contact

feedback-dev@bitfinex.com

Bitfinex

Overview

iFinex Inc has set its sights on revolutionizing the online betting industry. The project is called Betfinex, and it will leverage technology sourced from all iFinex products and a powerful brand to create the world's most secure, performant, cost-effective and user friendly online sports betting technologies.

Background

MARKETING MATERIALS—SUBJECT TO CHANGE

The opportunity in the online sports betting industry is immense and the market is ripe for innovation. The market volume of online gambling is forecast to increase to approx 60 billion U.S. dollars by 2020. Industry growth will be further spurred as the world population comes online, global wealth continues to increase, and governments around the world modify more traditional restrictions on gaming. This may further expand the global regulated market, as an estimated \$150bn is wagered illegally in the US each year and could be captured instead by regulated platforms.

The lion's share of current and future volume in online gambling goes to sports betting, which some estimate currently accounts for 48 percent of the market.

Technology is the key driver of this growth, and traditional bookmakers are being replaced by online betting exchanges that are more convenient to access while simultaneously providing tighter spreads and lower fees.

Unlike traditional on-site bookmakers, online betting exchanges may source liquidity internationally, subject to applicable law and observing prohibited jurisdictions. Although an international user base would benefit from the many benefits blockchain and cryptocurrency technology could provide in the space – transparency around betting and payouts, reduced fees, and on-chain custody and settlement – major industry players have yet to utilize this technology and pass the benefit on to their customers.

Key Features

iFinex management has significant experience in the gaming industry and a history of ensuring integrity and compliance in accordance with laws and regulations around the world. This experience will be essential for navigating the requirements of this heavily-regulated industry.

On the technical side, Betfinex will use the experience gleaned from the development of Bitfinex, ETHFinex Trustless, eosfinex and the currently in-development regulated token exchange to build modern regulated betting technology and user experiences that will revolutionize the industry.

Betfinex will combine state of the art betting APIs with high performance physical hardware to set a new standard in betting exchange connectivity. Providing colocation services and high speed connectivity through low latency gateways will entice market makers and ensure market liquidity. Offering superior connectivity in tandem with industry leading matching technology will, for the first time in online betting, provide customers with an experience comparable to that of a low latency FX exchange.

Operational Status

The launch date for Betfinex is as yet undetermined. However, our team is currently investigating applications for existing iFinex technologies in the betting industry.

μFinex

Overview

This project is the ultimate form and vision for the iFinex ecosystem, a P2P exchange ecosystem designed to realise the potential of digital assets in the offline world.

Background

Exchanges to date have been largely niche affairs, but iFinex believes that the future proliferation of digital assets into the offline world may be through compliant tokens based on geography (towns and cities, for example) and communities of interest. This future will not settle within a single blockchain, and therefore a key focus over the last few years has centered around experimenting with the most interesting technologies—Bitcoin and Lightning Network, Ethereum, and EOS to name but a few—to understand their potential and limitations to achieving our end goal.

Key Features

At an early stage of experimentation with nascent technologies it is impossible to state all the key features of μFinex. We currently envision the following features:

- A pure P2P exchange ecosystem, developed as a modular and fully open-source framework of tools, libraries and protocols.
- Extremely lightweight and capable to run on any hardware (from Raspberry Pis to mainframes).

Operational Status

In experimentation and early development. Predicted launch Q4 2020 / Q1 2021.