Tgrade

DECENTRALIZED FINANCE IN A SELF SOVEREIGN REGULATED ENVIRONMENT

Introducing Tgrade

There are many blockchain projects both as public and permissioned which are aimed at finance, and it begs the question why do we need Tgrade?

Tgrade fits into a gap between the Enterprise blockchain projects that have been built to work in a consortium setting and the pseudo-anonymous Decentralised Finance (DeFi) world. The consortia model works well for the members but is vulnerable to key parties leaving and acts as a barrier to newcomers and is built on a centralised foundation. The DeFi philosophy in general is to embrace the pseudo anonymity and not be overly concerned about the source of funds going through the smart contracts, and often are projects that are linked to Decentralised Autonomous Organisations in an attempt to avoid accountability and regulations. DeFi is an exciting space with innovation through embracing smart contracts which simplifies workflows and they have been proven to work in both high and low liquidity and bouts of volatility. The Enterprise platforms are instrumental in banks experimenting with blockchain and to demonstrate business cases.

What about Tgrade? The foundation of Tgrade is a strongly decentralised, robust, secure blockchain which uses a variation of Proof of Stake (PoS), by addressing some of the shortcomings of PoS and the use of incentives to form a collaborative community. On this secure platform there are the tools to build self-sovereign groups though the use of Decentralised Social Organisations, which builds on the infrastructures off-chain (legal, regulatory mechanisms) and has the on-chain governance processes to capture the needs. This can be thought of a generic framework for governance that is implemented locally to meet the requirements of the jurisdiction.

Decentralised, Public and Permissioned

Tgrade is a fully decentralised, robust blockchain, that by nature is public. To match the aims of decentralisation there are mechanisms in place for anyone to be able to create and manage a group. The governance mechanisms are in place to allow groups to grow and to set the permissions of what that group can do.

The starting point is matching the off-chain persona with a blockchain address, this is not any clever software but is done off-chain and is controlled by the group. A group could decide to use an identity management platform or simply meet in person to verify credentials. Having created a group and invited others into the group the interactions in the group are now between trusted parties who comply with the same legislation and understand the origin of funds.

The creation of groups tied to legal jurisdictions ensures that the existing frameworks and the law can be enforced with regards to on-chain activity through off-chain mechanisms.

The self-sovereign permissioned groups then decide on what their group does, instruments they issue around smart contracts, how they trade, and even which other blockchains they wish to connect to.

Tgrade in practice

Let's imagine a handful of pioneering crypto banks that offer Bitcoin to their customers through their wealth management divisions. They have banking licences and are very rigorous in their onboarding. They get the best price for Bitcoin through the centralised exchanges and OTC brokers and do lots of due diligence on the origin of the Bitcoin. Using the mechanisms of Tgrade they agree to form a group, and they offer pegged[1] Bitcoin. The peg works by using smart contracts on both chains and the Bitcoin are held securely using multiple signatures by the group. Now they can

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[1] A Peg is a connection to another blockchain, where tokens are locked on one chain and "pegged" tokens are minted on another chain.

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offer pegged Bitcoin within their group running on a secure, and faster blockchain without giving up their Bitcoin to a centralised exchange or wait 6 blocks for a transaction on Bitcoin.

Where next?

Following the launch of Tgrade there are plans to add the Actus Protocol[2] which standardises financial instruments, thus taking care of the issuance and lifecycle management. There are plans to look at introducing an auction-based exchange, run on sessions where the netting is done at the end of the trading session.

Innovation in financial instruments will enter a golden age with the adoption of tokenisation and smart contracts. It will be possible to issue Non-Fungible Tokens (NFT) directly linked to an asset or legal contract and then fractionalise it, there is potential for smart indices or portfolio construction, again using smart contracts and tokenisation.

More information

Tgrade is launching in H2 2021 and is being built by Confio for the Stichting Ocean Blue (the legal entity behind the chain).

tgrade.finance

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[2] https://www.actusfrf.org/