



White Paper

CRYPTO INTELLIGENCE TRADING SYSTEM

POWERED BY



Joseph



“

AI is able to make the biggest change in the industry of financial services comparing to any other technology in the modern history.

Akshay Sabhikhi

CEO of CognitiveScale

This Whitepaper is being provided by the TGE Company (as defined below) and the Partnership (as defined below) and the (separately the “Partner” and together the “Partners”) for informational purposes only and is not a binding legal agreement.

For the avoidance of doubt, this Whitepaper will expressly specify which statements are given by the TGE Company and by the Partnership which statements are given (both as defined below).

In any case neither the TGE Company or the Partnership shall be responsible for any statement given by another Partner.


The purchase and supply of CITS Tokens shall be governed by written terms and conditions, which is a separate document that will be provided to purchasers who qualify to participate in the token generation event (“TGE”). This Whitepaper may be amended from time-to-time.

This White Paper version as of 19 June 2020 was developed in cooperation and with advice of Lurye, Chumakov & Partners



This White Paper version as of 19 June 2020 was developed in cooperation with Ogier (Cayman Islands).





This White paper was created solely for purposes of familiarization, and is not a public offer or a commercial or investment proposal. The aim of this document is to introduce the reader to the idea, essence and mission of the Project.

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Individuals intending to purchase CITS Tokens should seek independent professional advice prior to acting on any of the information contained in this White paper.

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AI is Artificial intelligence.

ANNs is artificial neural networks.

CITS Token or **Token** is a cryptographic token, not cryptocurrency, created by the TGE Company in accordance with the terms set out herein. The mentioned CITS Tokens are not securities, are not registered with any government entity as a security, and shall not in any case be considered as such. CITS Tokens, are not intended to be commodity or any other kind of financial instrument, do not represent any share, stake or security or equivalent rights, including, but not limited to, any right to receive future revenue shares and intellectual property rights, and do not represent any ownership right.

Contributor is a person or a legal entity, transferred funds to his/her account on the Platform, having signed the contract and pre-selected one of the strategies for managing the virtual currencies thus transferred.

Joseph or System (by CITS) is a fully automated self-developed AI System for managing cryptocurrency assets 24/7 without human involvement. System is enabled by a mathematical engine, capable of forecasting future cryptocurrency asset values, using various types of artificial neural networks (ANNs), managing risks and trading strategies. CITS contains a mechanism for defining multiple game strategies through the combination of different objectives and limitations. The system works simultaneously in Short and Long positions. The system architecture represents the interaction of many software modules built on the basis of various mathematical models.

Founders are individuals who took part in CITS development on early stages.

Funds – has the meaning as specified in Chapter IV.

KYC service is verification of User registration data to confirm their status and compliance with CITS requirements for Users (outsourcing).

Operating Company is a global company holding all necessary licenses for attraction of Contributors funds for management and developing and managing the Platform.

Platform is a package of software solutions enabling the automation of high-yield and sustainable management of multiple cryptocurrencies on various crypto exchanges based on a wide range of mathematical modeling tools, combined under the term "artificial intelligence" (AI) (Deep Learning, LSTM, NARX), developed on the basis of Joseph.

Project is finalizing the development of CITS Platform after TGE completion.

Purchaser is an individual, or a legal entity who/that acquires CITS Tokens and subsequently at discretion of the TGE Company's may receive a benefit from the TGE Company in the form of airdrops based on the revenue realized by the Operating Company.

Partnership is Founders association under Simple partnership agreement as of June 08, 2018 made by and between Mr Michael Vavilov, Mr Sergei Gabrielian and Mr. Alexander Zhivetskiy.

Token Generation Event (TGE) is a business and technical act managed by the TGE Company that involves the technical generation of the Token in a blockchain-based network, and its launch to the market, in the form of a public sale subject to restrictions and limitation provided herein and on TGE Website.

TGE Company is CRYPTO INTELLIGENCE TRADING SYSTEM, an exempted company established under Cayman Islands law on March 09, 2020 with registration No BE-361019, which conducts the token generation event and may, subject always to its discretion, grant a benefit to the Purchasers in the form of airdrops based on the revenue realized by the Operating Company.

TGE Website – <https://cits-tge.io>

Technical Specifications is a document available on TGE Website containing Project technical and mathematical description.

Token Holder is a natural person, or a legal entity who/that acquires CITS Tokens on the second market.

User – Purchaser or Token Holder.

User Account is a dedicated space on Projects servers with personal access and verification of the unique User's identity for the purpose of CITS Tokens acquisition, with an option to manage the virtual currencies transferred, as well as download necessary reports and financial documents, and other information required by the unique User.

Whitepaper – means this whitepaper relating to the Platform and the CITS Tokens.

The present Chapter is provided Partnership which has been developing Joseph for more than 3 years

A. Development History and Further Plans

The idea of CITS and Joseph is rooted in development and implementation of an automatic system for managing credit risks in 2007-2011. The tests conducted in 2017 showed that it is possible to create a fully functional crypto asset management system and laid out the foundation for the creation of the CITS. To realize this the Founders pulled together a strong team of mathematicians & programmers which started the development and testing of necessary architecture, algorithms, mathematic models, and game strategies.

In 2018 the Founders set up the Partnership which now acts as a customer and a managing entity for the IT Team, as well as a holder of the IP rights for all of the developed software. The first version of Joseph was completed in October 2018 and has since successfully passed tests with real crypto assets on several major crypto exchanges.

As part of the business growth strategy, the Founders aim to access international markets and attract Users from different countries by means of TGE.

The purpose of the TGE is to create an Operating Company that, based on the current CITS technology (transferred to the Operating Company by the Partnership), will complete the development of the Platform (as described in this White Paper). The new Platform will allow for a highly effective wealth management (defined as high-yield at an acceptable level of risk) of crypto assets for the benefit of investors subject to obtained license.

B. Project objectives

Project objectives are as follows:

1. Implementing a methodological software Platform for the automation of high-yield and sustainable management of multiple cryptocurrencies on various stock exchanges (crypto exchanges) based on a wide range of mathematical modeling tools, combined under the term "artificial intelligence" (AI) (Deep Learning, LSTM, NARX, AR);

2. establishing an Operating Company in a reliable jurisdiction, obtaining necessary licenses and permits for such Operating Company;

3. engaging Contributors in crypto asset management.

C. Joseph description

Features

Josephs AI features aim to cover all key functions that are common for traditional trade in various assets via conventional exchanges. These are:

- a. Analysis of cryptocurrency market conditions (for relevant crypto exchanges and cryptocurrencies)
- b. Forecasting cryptocurrency development trends in different time horizons (from minutes to weeks)
- c. Assessment and measurement of the risks associated with the current dynamics of individual cryptocurrencies and the cryptocurrency portfolio, and management of such risks
- d. Game strategy development based on multiple objectives (possibly contradictory ones) and possible limitations
- e. Optimization of the cryptocurrency portfolio for a specific trading strategy, with maximum possible achievement of all goals, and receipt of contributions into each cryptocurrency in the portfolio
- f. Development and control of trade signals to identify entry and exit points to/from trade positions and calculate stop loss and take profit signals.

Feature enablers

To implement the above functionality of the System, the following set of tools forming Josephs AI of the CITS is used:

- a. The dynamic systems theory is used to analyze the predictability of time series, which characterize the dynamics of cryptocurrency prices, assessing the fundamental possibility of building a forecast model and a time lag within which predictive models can be trusted

b. Various types of artificial neural networks (ANNs) are used to build predictive models, including recent advances in machine learning related to so-called deep learning, including such powerful ANN architectures as LSTM, GRU, convolution neural networks, and different hybrid ANNs built using a "mix" of networks of different architectures

c. Different techniques from the fields of probability theory and mathematical statistics, and econometric modeling and Markov chains are used for modeling and risk management

d. Mathematical programming theory tools, such as linear and nonlinear mathematical programming and multipurpose programming, are used to shape and optimize the cryptocurrency portfolio

e. Optimization methods based on the logical product (rule) system are used to shape and manage trade signals, ensuring various options for maximizing benefits and minimizing risks.

Joseph composition and architecture

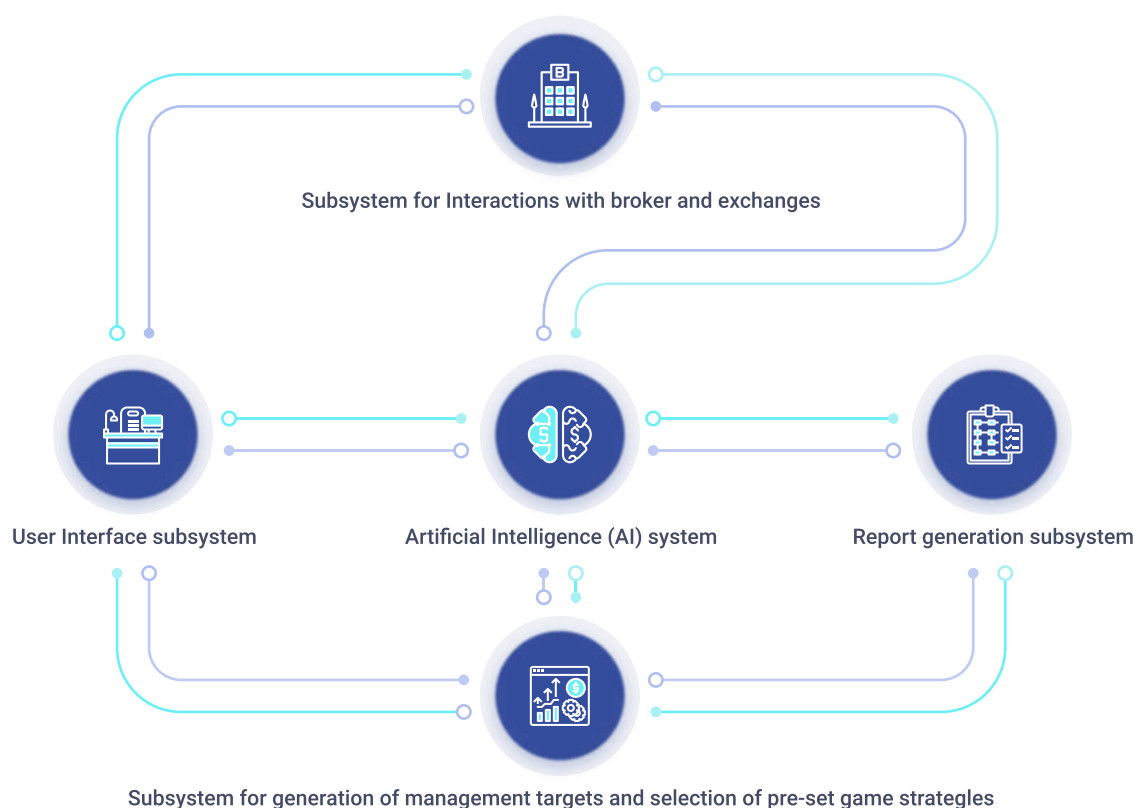
The proposed System has a complex composition and architecture to automate highly efficient exchange trading in cryptocurrencies. It includes the AI system and four subsystems for interaction with the System operator and users:

I. A subsystem for interaction with crypto exchanges and crypto brokers using the Platform with statistical data and an opportunity to implement the game strategy.

II. A game strategy generation and pre-defined strategy selection subsystem that allows each client to choose from a set of pre-defined strategies the one that meets their goals and expectations. This allows the Platform to group clients and manage the aggregate funds of clients in the same group as a single amount. This provides superior scalability for the Platform, as the number of governance objects always matches the number of pre-defined strategies, which are not numerous (3–5 strategies).

III. A UI subsystem that enable the Platform to manage the AI system of its crypto robot (for example, setting initial values for all parameters of mathematical models during emulation when building new game strategies).

IV. A reporting subsystem that generates reports on different aspects of the performance of each of the game strategies currently being implemented by the crypto robot. Reports contain several sections: account dynamics, profitability assessment, risk management quality assessment, operational efficiency assessment, and economic efficiency assessment.



The System AI framework contains four subsystems:

- I. A cryptocurrency markets analysis subsystem.
- II. A game strategy development subsystem.
- III. A forecasting subsystem.
- IV. A subsystem for risk measurement and trade signal formation and management.

They deliver features described in the previous section.

For more information please see Technical Specifications and Financial model as provided in Schedule 1 hereto.

D. Joseph portfolio management results.

Joseph operates as a fully automatic system for 14

month (from February '19 – April '20) and has a USD100k portfolio under management without human involvement.

- Net annual profit resulted in **16% annually in USD**
- Total number of transactions - **1118**
- Long/Short transactions % - **54/46**

For more information please see Technical Specifications.

E. System development.

Below is the table showing the planned System modification where Joseph v 1.1 is current version and Joseph v 2.x version to be released upon TGE completion.

	Joseph v 1.1	Joseph v 2.x
System architecture	Allows simultaneous management of one selected strategy on one exchange	This will allow simultaneous management of many selected strategies on different exchanges
System architecture	One-user control mode	Multiuser control mode
Use of industrial code development standards for all system elements and modules to improve operational stability and fault tolerance	Not available in the current version	Planned for implementation
Support of API exchanges	1	Up to 15
Number of connected wallets for management	1	Up to 10,000
Temporary settlement of the processed stock exchange data	Minute resolution	Second resolution
Centralized collection and storage of data required to develop models and forecasts. Big Data systems	Not available in the current version	Planned for implementation
Reporting system	Built-in reporting system from the exchange	Own, advanced

Transactional payment system	Not available in the current version	Planned for implementation
Customer data billing system	Not available in the current version	Planned for implementation
Accounting system synchronized with transactions	Not available in the current version	Planned for implementation
CRM system	Not available in the current version	Planned for implementation
User interface	Simplified for one user	Multifunctional, multi-window, multi-user for various roles (trader, risk manager, developer, manager, client manager)
System of hot storage of backup copies	Not available in the current version	Planned for implementation
Remote failure and error notification system	Simplified by several key error signals	Multifunctional based on many error signals
Remote warning system for various trade and risk events	Not available in the current version	Planned for implementation
Verification and distributed data access system	Not available in the current version	Planned for implementation
Hot encryption system for data transmission and storage	Not available in the current version	Planned for implementation
AI systems	-	-
self-learning system "Strategy generator"	not available in the current version	Planned for implementation
Number of strategies for different market situations	2	Unlimited
End Of Day forecast accuracy	60-70%	70-85%
Increase of profit through capital optimization	5-15%	20-30%
Number of concurrent forecast models for each crypto currency	2	4 - 7
Number of concurrent neural network prediction models	2	3 - 5

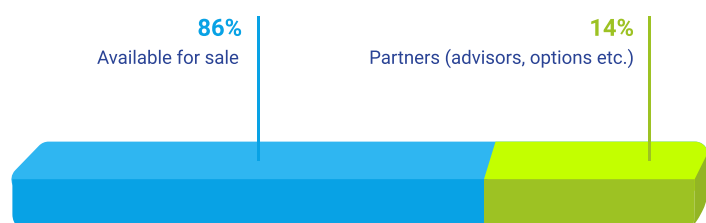
***The scope of development of AI subsystems is described in detail in Technical Specifications.

According to the preliminary calculations the TGE Company expects the Tokenomics to be as provided in this Chapter II.

A. Acquisition of CITS Tokens

The CITS Tokens may be purchased with the most liquid and reliable cryptocurrencies, such as USDT, Bitcoin, Ethereum. In order to purchase the CITS Tokens, the cryptocurrency used for the purchase must be placed in the wallets of potential Purchasers, who have undergone KYC procedures and have access to the function of funds crediting and debiting.

CITS Token will be issued on the basis of Ethereum ERC20 and shall be denominated in US dollars. CITS Tokens will be sold predominantly in consideration for USDT. If the Purchaser does not have the required amount of USDT to buy tokens, he may use BTC or ETH at the sole discretion of the TGE Company, which will be converted into USDT at one of the Exchanges (such Exchange to be determined solely by the TGE Company). This is necessary to fix the value of the CITS Token at a point of time in order to minimize the risk of market volatility. After the conversion, the Purchaser will receive the purchased volume of CITS Tokens in his wallet in his Purchaser's User Account.



The nominal value of the CITS Token is 10 US dollars. The volume of issue will amount to 3 million CITS Tokens. 86% or 2.58 million CITS Tokens will be available for sale. 14% of CITS Tokens will be reserved for the Project team, advisors and assistants.

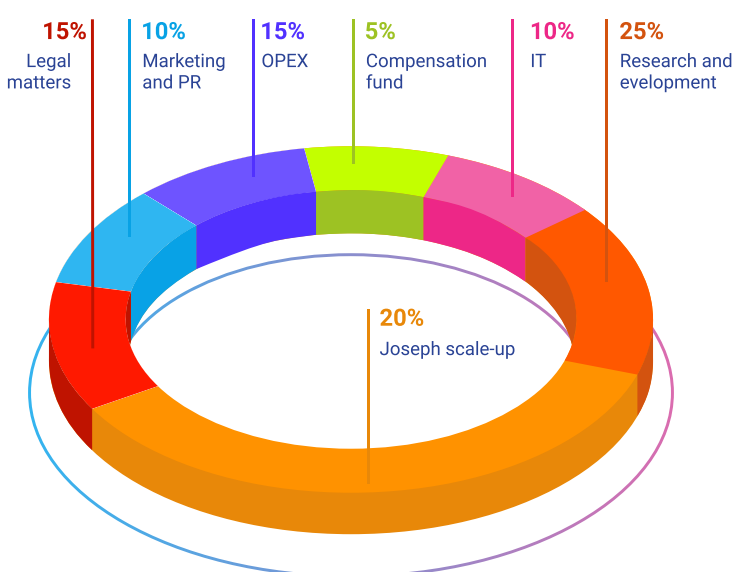
The benefits of purchasing CITS Tokens are described in detail in section 3.2 below.

When purchasing CITS Tokens, the Purchaser will confirm compliance with the terms and conditions in accordance with the documents placed on the TGE Website.

A bonus will be determined depending on the size of the purchase amount. The purpose of the bonus system is to encourage Purchasers to buy the CITS Tokens as quickly as possible during the first two weeks by means of a certain percentage incentive added to the purchased CITS Tokens.

For example, by purchasing the CITS Tokens in the amount of USD 100,000, the Purchaser will receive 6% more CITS Tokens, i.e. 10,600 CITS Tokens instead of 10,000, which will be equal to USD 106,000. The bonus terms will be set out on TGE Website.

The Project budget is an equivalent of USD 6 million (six million US dollars), which will include the following expenditure items:



(1) Setting up the Operating Company which will finalize the Platform development. The TGE Company will choose the most effective financing method to maximize awards (such as debt or equity financing) to cover such Operating Company costs as:

- IT, Hardware & communication equipment;
- Software (Jetbrains All Products Pack, MATLAB, Oracle MySQL Carrier Grade or similar);

- Cloud servers rent;
- CITS scaling (code development, performance improvement, support systems, interface development and computer security);
- Research and development (new algorithms and models testing, capital management development);
- Legal aspects;
- Marketing and PR;
- Operating costs;
- Payroll.

(2) TGE Company costs including but not limited to:

- Legal aspects;
- Marketing and PR;
- Operating costs;
- Payroll;
- Reimbursement of the documented expenses incurred by the Partnership for creation of the TGE Company, Operating Company and the Platform (such as legal, IT, marketing expenses, payroll, servers' rental charges).

Most of the amount from the sale of the CITS Tokens, which exceeds the Project budget of USD 6 million, may be used by the Operating Company to manage under CITS to generate revenue.

The unused part will form the Project reserve. Estimated reserve-to-management ratio is 10/90.

For more information please see Subsection E Chapter I hereof and Technical Specification.

B. Token acquisition restrictions

Token acquisition is subject to the following restrictions:

- all initial Token Purchasers and any Token Holders that receive an award are subject to KYC checks and sanctions screening;
- Tokens are not permitted for transfer or secondary trading to any person without first having collected KYC on such persons;
- It is not permitted to purchase Tokens with privacy coins (Dash, Monero, etc);

- searches on the provenance of crypto assets used to purchase Tokens to confirm that deposited cryptocurrencies are not associated with public addresses that have had exposure to exchange hacks or are referenced on the dark web may be conducted, where appropriate.

C. Benefit from CITS Tokens acquisition

Purchasing the CITS Tokens may (subject always to the TGE Company discretion and compliance with KYC procedure) provide to the Purchasers the following benefits:

I. awards based on the distribution of revenue realized by the Operating Company and returned to the TGE Company subject to the chosen financing method (as described above), the discretion of the directors and all applicable law, in proportion to the number of CITS Tokens held by the Purchaser at the time that the distribution is declared;

II. awards based on distribution of TGE Company's profits from the Company's trading on the Platform of its own funds for and on behalf of itself;

III. receipt of extra (additional) Tokens depending on the amount and timing of purchase, as specified in the bonus program description;

IV. sales of Tokens in the secondary market.

D. Operating Company Income

The proposed possible Operating Company's income sources are:

- Attracting natural and legal persons' cryptocurrency funds in Platform management. The Contributors will have a choice of several kinds of strategies differing in risk and income levels. Depending on the strategy chosen by Contributors the Operating Company will obtain success fees from the earnings in the form of a percentage or fixed management fee;
- In case of fixed interest deposits attraction, the Operating Company may allocate the obtained funds under the Operating Company management;
- Fees for clients' transactions;
- Sell of insurance products;
- Exchange fees.

For compliance with KYC requirements the TGE Company intends to implement the User registration procedure as described in this Chapter III.

A. For individuals

User being an individual must register a User account. For this purpose, the User must provide the TGE web site with the following personal data:

- full name;
- login and password for the User account;
- contact details: phone, email;
- country of residence (if the country is from the TGE prohibited list, the User will not be allowed to pass KYC)

Then the data will be checked by sending test SMS and email messages.

In case of successful confirmation, the User will provide the following personal data and scans of certified documents during registration:

- identification document (passport; ID);
- driver's license or other identification document (number, date of issue, name of the issuing authority and photo of the owner);
- address of the place of residence;
- confirmation of the residence address (housing or utility bill, bank statement, insurance, etc.);
- TIN;
- Place of work and position / job title / type of activity;
- Contact details of the place of work: address, www, phone;
- Annual income and sources, amount of own assets;
- Experience in investment and understanding of market risk;
- Letter signed by the User confirming the authenticity of submitted documents and responsibility for misrepresentation;
- Selfie with identification document and CITS inscription and current date;
- Other documents that may be required by KYC

B. For legal entities

The User that is a legal entity wishing to purchase Tokens must register a User account. Within the framework of KYC, the User that is a legal entity will provide the TGE web site with the following data:

- Legal entity name;
- legal form of incorporation;
- registration address and postal address;
- company registration number and date, TIN, type of activity;
- contact phone numbers, email, company website;
- letter from the servicing bank;
- documents regulating activities (e.g., charter);
- copies of the latest financial statements;
- names of persons in management positions;
- evidence of executive authority
- information about the beneficiaries

C. KYC

Documents provided by Users will be checked by authorized employees of the company, and KYC will also be outsourced to specialized companies, which will be sent Users' personal data for verification. Data received from Users may be stored on the Project servers.

After the verification and obtaining a satisfactory result, the Users will be able to access personal wallets and accounts subject to their functions as described herein. Otherwise, such access will not be granted and further work will cease. For the avoidance of doubt, no User shall be allowed to perform either purchase of the CITS Tokens or any operations on the Platform until he/she successfully passes KYC verification.

TGE Company will take efforts to constantly monitor the relevance of data and information required for KYC Users procedures and will request relevant Users to update them where necessary.

D. Personal Account

Through the User Account the following functions are available:

- Managing his funds and Tokens
- Personal information
- Support service
- Project information

E. Personal data protection

The Users' personal data will be protected by:

- Dedicated server capacity for data storage
- Use of industrial encryption algorithms
- 24/7 data access control
- Maintaining a log of the data access actions taken
- Data access rights differentiation among employees

The details of the personal data protection will be reflected in a privacy policy published on the TGE Website.

Access rights to the Users' data will be restricted and granted to employees according to their area of responsibility. Full access to Users' data will only be available to senior managers (e.g. CEO, Head of Customer Service, Head of Security).

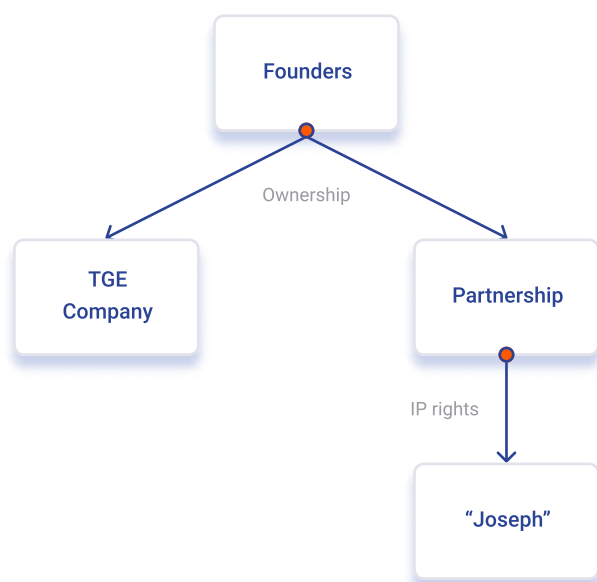
Other employees will not have full access to all Users' personal data.

TGE Company will do all possible to take all necessary actions to comply with international standards of personal data protection.

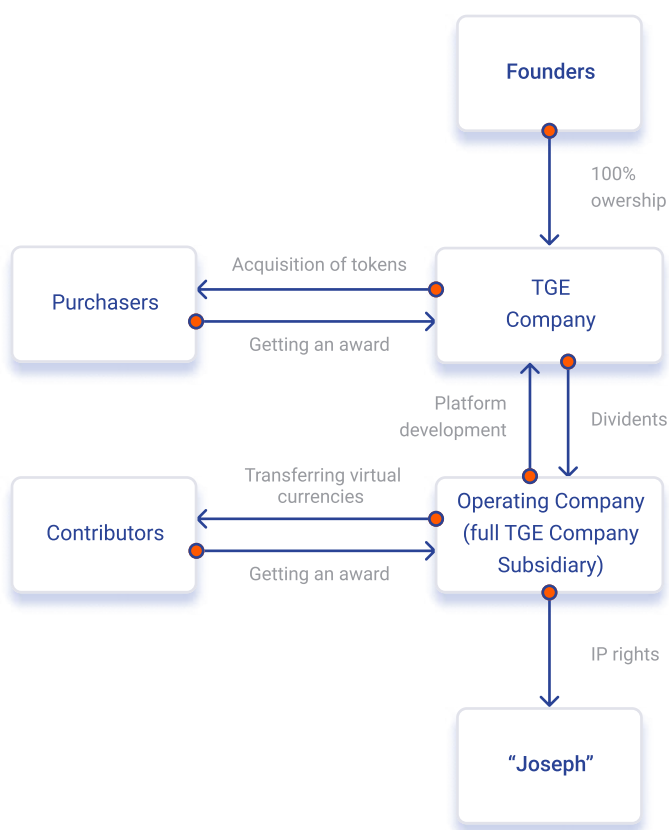
1. Project structure (description of jurisdiction, interaction schemes)

A. Current structure

Before TGE completion the Project legal structure is as follows:



B. Future structure



TGE Company

We have incorporated an exempted company in the Cayman Islands that will conduct the TGE.

Over the past few years, the Cayman Islands has become one of the world's leading investment hubs, as evidenced, for example, by the total number of regulated investment funds established in the country.

This jurisdiction is attractive for the following reasons:

- Well-established corporate and financial regulation and a sound legal system;
- Lack of currency control;
- Availability of a large number of highly qualified specialists in legal and financial services;
- Compliance with the requirements of the Organization for Economic Cooperation and Development (OECD) and Financial Action Task Force (FATF);
- Political and economic stability.

The TGE Company will not be in the business of providing a "money services business" by virtue of selling Tokens under the proposed TGE and, therefore, will not be required to be licensed in the Cayman Islands under that law.

The TGE Company will comply with the provisions of the Proceeds of Crime Law (Revised) and the Anti-Money Laundering Regulations (Revised). For this purpose, the TGE Company among other things, will do the following: adopt written policies and procedures; designate two individuals at senior management levels to perform compliance and reporting functions; and perform customer due diligence measures when establishing a "business relationship" or a "one-off transaction" in excess of USD \$18,000.00.

If required by the relevant authorities the TGE Company may report certain prescribed information about its Users for FATCA/ CRS purposes.

The TGE Company will not be offering or issuing "equity interests" within the meaning of the Mutual Funds Law (Revised) and, therefore, will not be required to be registered or licensed in the Cayman Islands under that law.

The TGE Company will not be carrying on trust business for the purposes of the Banks and Trust Companies Law (Revised)

Operating Company

The proceeds from the TGE will, among other things, be used to create an Operating Company in a jurisdiction that provides the best protection for the Contributors and has a developed banking industry to realize the full potential of the Platform described above.

All intellectual property rights to the Platform will be duly transferred from the Russian partnership and registered to the Operating Company.

2. Legal nature of Token

Rights of Token Holders

CITS Tokens are cryptographic tokens, issued in the Ethereum network using the ERC-20 standard. The mentioned CITS Tokens are not securities, are not registered with any government entity as a security, and shall not in any case be considered as such.

CITS Tokens are not intended to be commodity or any other kind of financial instrument, do not represent any share, stake or security or equivalent rights, including, but not limited to, any right to receive future revenue shares and intellectual property rights, and do not represent any ownership right. CITS Tokens represent a contractual obligation of the TGE Company to (I) perform actions necessary to create the Operating Company and (II) consider granting an award to the Purchasers (subject always to TGE Company's discretion whether to grant those awards and compliance with KYC procedure). The Purchasers will not share in losses or liabilities of TGE Company. Tokens will not be able to be automatically redeemed by the TGE Company. Token holders will not possess a claim in bankruptcy as an equity interest holder or creditor. Token holders are not permitted to convert their Tokens into stocks, bonds, partnership interests, futures or other similar securities. Token holders will not have the right to vote on matters governing the TGE Company (in a manner similar to a voting shareholder of the TGE Company).

Crypto Intelligence Trading System (CITS) is not currently required to register with, and is not supervised by, CIMA or any other regulatory authority in the Cayman Islands. Neither CIMA nor any other regulatory authority in the Cayman Islands has passed upon or approved this White Paper or the offering of tokens by CITS nor is it intended that they will do so at this time.

Despite the foregoing, on 20 May 2020, the Cayman Islands Government enacted the Virtual Assets (Service Providers) Law, 2020 (the **VASP Law**), which will come into force upon issue of a commencement order. It is not yet known when the commencement order will be issued. Pursuant to the VASP Law, the sale of tokens by CITS will be regarded as an "issuance of virtual assets" for the purposes of that law and, accordingly, CITS will be required to register with CIMA and pay a prescribed application and registration fee to CIMA.

Once registered, CITS will then be required to submit a request to CIMA for approval of the issuance of the CITS tokens. The issuance must not exceed a "prescribed threshold", but it is not yet known what the prescribed threshold will be and we are currently awaiting regulations and /or further guidance from CIMA on this point. The prescribed threshold, once announced, will be an amount in fiat currency that can be raised by issuers (such as CITS) within a given timeframe.

CITS intends to raise up to US\$[25,800,000] from the sale of CITS tokens. Although sales of tokens over the prescribed threshold will not be prohibited in or from the Cayman Islands, issuers (including CITS) that intend to raise funds over the prescribed threshold will be required to conduct the sale through a "virtual asset trading platform" (a **VATP**) that is either licensed in the Cayman Islands or that is licensed or registered and is supervised for virtual asset services by a government regulatory body in another non-high-risk jurisdiction (as defined in the VASP Law).

There is no guarantee that CIMA will register CITS. When applying for registration, CIMA will consider, amongst other matters:

a. the size, scope and complexity of the virtual asset service carried on by the applicant, the underlying technology, method of delivery of the service and virtual asset utilized;

- b.** the knowledge, expertise and experience of the applicant;
- c.** the anti-money laundering (AML) procedures and data protection safeguards in place for the applicant;
- d.** the similarity of the virtual asset service to activities under the Securities Investment Business Law (Revised) (the SIB Law) or any other regulatory laws;
- e.** the risks that the virtual asset service may pose to existing clients, future clients, other licensees or to the financial system of the Cayman Islands;
- f.** the net worth, capital reserves and financial stability of the applicant;
- g.** the applicant's ability to comply with the VASP Law and the relevant requirements of the AML regulations;
- h.** whether the applicant's senior officers and ultimate beneficial owners are fit and proper persons.

If CITS is successfully registered, there is also no guarantee that CIMA will permit CITS to carry on the token sale. When considering the token sale, CIMA will apply additional considerations including, amongst other matters:

- a.** the nature of the token;
- b.** whether the token interferes with the functions of CIMA relating to AML, combating of terrorist financing and anti-proliferation financing;
- c.** whether the token is a security as defined under the SIB Law;
- d.** the function and purpose of the token;
- e.** whether CITS wishes to solicit the public directly for the purchase of the tokens;
- f.** the total number of tokens that will be issued and available for purchase by the issuance and the amount to be raised in the issuance;
- g.** the AML processes utilized by or available to CITS;
- h.** the accuracy and completeness of disclosures to be made to the public regarding the issuance of the tokens.

CIMA may require CITS to comply with certain requirements that CITS does not currently undertake. These may include the appointment of third party professional AML officers and administrators or the requirement for CITS to prepare policies or enter into other documentation or arrangements which could incur further expense. Furthermore, if CIMA decides to reject any applications made by CITS, further costs could be incurred in reapplying for registration or for the token sale. As the costs of the registration process and the costs for applying for a token sale are not yet known, these costs could exceed the funds currently held by the sponsors or the funds raised through any token sale carried on prior to the commencement of the VASP Law.

Further to the above, CIMA could also require CITS to apply for a licence instead of registration and the costs of obtaining such licence could be considerable. It is likely that these costs (or any costs in relation to the registration of CITS and the application for permission to issue tokens) will be paid from funds raised from token sales made by CITS prior to the commencement of the VASP Law.

If the CITS token sale exceeds the prescribed threshold, there is no guarantee that CITS will be able to find a suitable VATP. Currently, there are no VATPs licensed in the Cayman Islands and it is not known whether any will be licensed in future. Furthermore, CITS may be unable to find a suitable VATP in an appropriately licensed or registered and supervised non-high-risk jurisdiction. If this occurs, CITS may be forced either to: (a) lower its intended raise to a sum that is below the prescribed threshold; (b) delay the token sale (and the underlying project) until a suitable VATP can be found; or (c) cancel the token sale. The costs of carrying out the token sale through a VATP is also currently unknown at this stage and it is likely that such costs will be paid from funds raised from the token sale prior to the commencement of the VASP Law.

Once registered, CITS will have ongoing obligations under the VASP Law. These include (amongst other things):

- a. undertaking audits of its AML systems and procedures at the request of CIMA;
- b. preparing audited accounts and submitting those to CIMA annually;

- c. making sure its senior officers and beneficial owners are fit and proper persons;

- d. obtaining prior approval from CIMA to appoint senior officers or AML compliance officers;

- e. providing certain notices to CIMA confirming their compliance with the AML regulations and data protection laws and ensuring that all communications relating to the virtual asset service are accurate;

- f. designating an employee as the officer with responsibility for the procedures for combating money laundering, terrorist financing and proliferation financing;

- g. obtaining prior approval from CIMA before issuing or transferring shares of CITS. CITS intends to comply in all respects with the VASP Law applicable to it once the VASP Law comes into force. Such compliance may cause CITS to incur additional expenses.

Potential delay and amendment of token sale

It is not yet known when the VASP Law will commence. If the sale of CITS tokens has not concluded before the VASP Law is commenced, the token sale will be paused so that CITS can comply with the VASP Law and obtain permission from CIMA to complete the token sale. This may lead to lengthy delays until the token sale is complete.

Furthermore, the terms and conditions entered into by purchasers of tokens prior to the commencement of the VASP Law will likely be different to the terms and conditions following CIMA approval of the token sale. Any amendments to the terms and conditions will be published on the CITS website and Purchasers will be required to comply with the updated terms and conditions.

Potential future designation of the token as a security

The SIB Law has also been amended to contemplate virtual assets. Like the VASP Law, it is not yet known when the commencement order bringing these amendments into force will be issued. However, once in force, it is possible that the CITS token will be considered to be a security under the SIB Law.

This is because the definition of "securities" will be extended to include virtual assets which can be sold, traded or exchanged immediately or at any time in the future that (a) represent or can be converted into any of the securities listed in Schedule 1 of the SIB Law or (b) represent a derivative of any of the securities listed in Schedule 1 of the SIB Law. The securities listed in Schedule 1 of the SIB Law are traditional securities including equity interests, debt instruments, options and futures. If the CITS token is considered a security under the SIB Law, this may impact CITS's ability to list the tokens on digital asset exchanges or VATPs. This may also impact the purchasing considerations of token purchasers.

Notwithstanding that the CITS token may in future be considered a security under the laws of the Cayman Islands, it is likely that CITS itself will not be required to register or be licensed under the SIB Law because one significant exclusion applies for private issuers of virtual assets that are considered securities under the SIB Law; namely, where a private issuer issues its own virtual assets. CITS intends to rely upon this exclusion if the token is conserved a security.

Upon CITS' application for permission to carry on a token sale under the VASP Law, CIMA may also make a determination that the token is a security. If CIMA makes this determination, and any appeal is rejected, the token will be considered a security under the laws of the Cayman Islands both under the VASP Law and the SIB Law.

The financial model is built in accordance with best practices and is based on the following assumptions:

Duration of token placement – 9 month

Lag between token placement completion and start of client acquisition in Operation Company – 9 month

Duration of client acquisition – 36 month

Token sales scenario - Base

Token sales and Client acquisition – 600 000 units

Amount raised – 6 000 000 USD

Scenarios of client portfolio plan achievement – Base (75%)

Portfolio scenario return - Base

Annual – 36% in simple type

Annual – 43% in Compound type

Operation Company (OpCo) income distribution

Payment from OpCo to TGE Company (HoldCo) - 60% of OpCo net income

Aidrops to Token holders – 50% of OpCo net income
Payment to HoldCo

Aidrops to Founders – 50% of OpCo net income
Payment to HoldCo

Assumptions

This model describes the 7-year period of the project from 2020 to 2027.

It is assumed that implementation of all improvements and upgrades of the System will take 9 to 14 months.

The annual portfolio profitability is defined as the most probable based on the current version of CITS and planned adjustments to the system.

This financial model is presented for the purpose of providing estimates and cannot be considered an obligation.

Investment metrics		
Initial investments of token holders	6,0	USD mm
NPV	75,4	USD mm
IRR	149%	%
Payback period (PP)	2,3	years
Discounted payback period (DPP)	2,5	years
Profitability index (PI)	12,6	x

Balance sheet	2020	2021	2022	2023	2024	2025	2026	2027	Total 2020-2027
USDk									
Management fee:	-	-	2 819	6 377	7 034	7 654	8 330	9 065	41 279
HoldCo portfolio	-	-	-	-	-	-	-	-	-
OpCo Client portfolio	-	-	2 819	6 377	7 034	7 654	8 330	9 065	41 279
Performance fee:	-	-	2 134	74 422	106 223	115 597	125 798	136 900	561 074
HoldCo portfolio	-	-	-	-	-	-	-	-	-
OpCo Client portfolio	-	-	2 134	74 422	106 223	115 597	125 798	136 900	561 074
Total operating income	-	-	4 954	80 799	113 256	123 251	134 128	145 965	602 353
Operating expenses, incl.:	-	(2 272)	(4 071)	(3 910)	(5 330)	(5 330)	(5 330)	(5 330)	(31 573)
HoldCo opex	-	(2 194)	(2 364)	(50)	(50)	(50)	(50)	(50)	(4 808)
OpCo opex	-	(78)	(1 707)	(3 860)	(5 280)	(5 280)	(5 280)	(5 280)	(26 765)
Net operating income	-	(2 272)	883	76 889	107 926	117 921	128 798	140 635	570 779
Depreciation	-	(8)	(17)	(17)	(17)	(11)	(6)	(6)	(81)
Investment income (OpCo own funds)	-	-	-	2 474	10 077	19 393	30 637	31 697	94 278
Profit before tax	-	(2 281)	866	79 345	117 986	137 303	159 429	172 327	664 977
Income tax, incl.:	-	-	(442)	(9 966)	(14 931)	(17 512)	(20 478)	(23 883)	(87 212)
Operating income tax	-	-	(442)	(9 612)	(13 492)	(14 741)	(16 101)	(17 581)	(71 969)
Investment income tax	-	-	-	(353)	(1 440)	(2 770)	(4 377)	(6 303)	(15 243)
Net income / (loss)	-	(2 281)	424	69 380	103 055	119 791	138 952	148 444	577 765

Balance Sheet

USDk	2020	2021	2022	2023	2024	2025	2026	2027
Assets	-	3 719	568 345	1 020 312	1 151 833	1 300 510	1 468 428	1 658 055
Cash	-	3 628	3 138	6 036	6 506	7 159	7 827	8 509
Assets under management (AUM)	-	-	565 131	1 014 217	1 145 285	1 293 321	1 460 577	1 649 527
OpCo Client portfolio	-	-	565 131	987 432	1 074 569	1 169 399	1 272 605	1 384 925
Initial investments	-	-	543 060	865 440	865 440	865 440	865 440	865 440
Reinvested portfolio return	-	-	22 071	121 992	209 129	303 959	407 165	519 485
HoldCo portfolio	-	-	-	-	-	-	-	-
PPE and intangibles	-	92	75	58	41	30	25	19
Liabilities and equity	-	3 719	568 345	1 020 312	1 151 833	1 300 510	1 468 428	1 658 055
Liabilities related to Token holders	-	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Accounts payable to Clients	-	-	565 131	987 432	1 074 569	1 169 399	1 272 605	1 384 925
Taxes payable	-	-	414	3 468	4 046	4 732	5 521	6 425
Retained earnings	-	(2 281)	(3 200)	23 412	67 219	120 379	184 303	260 705

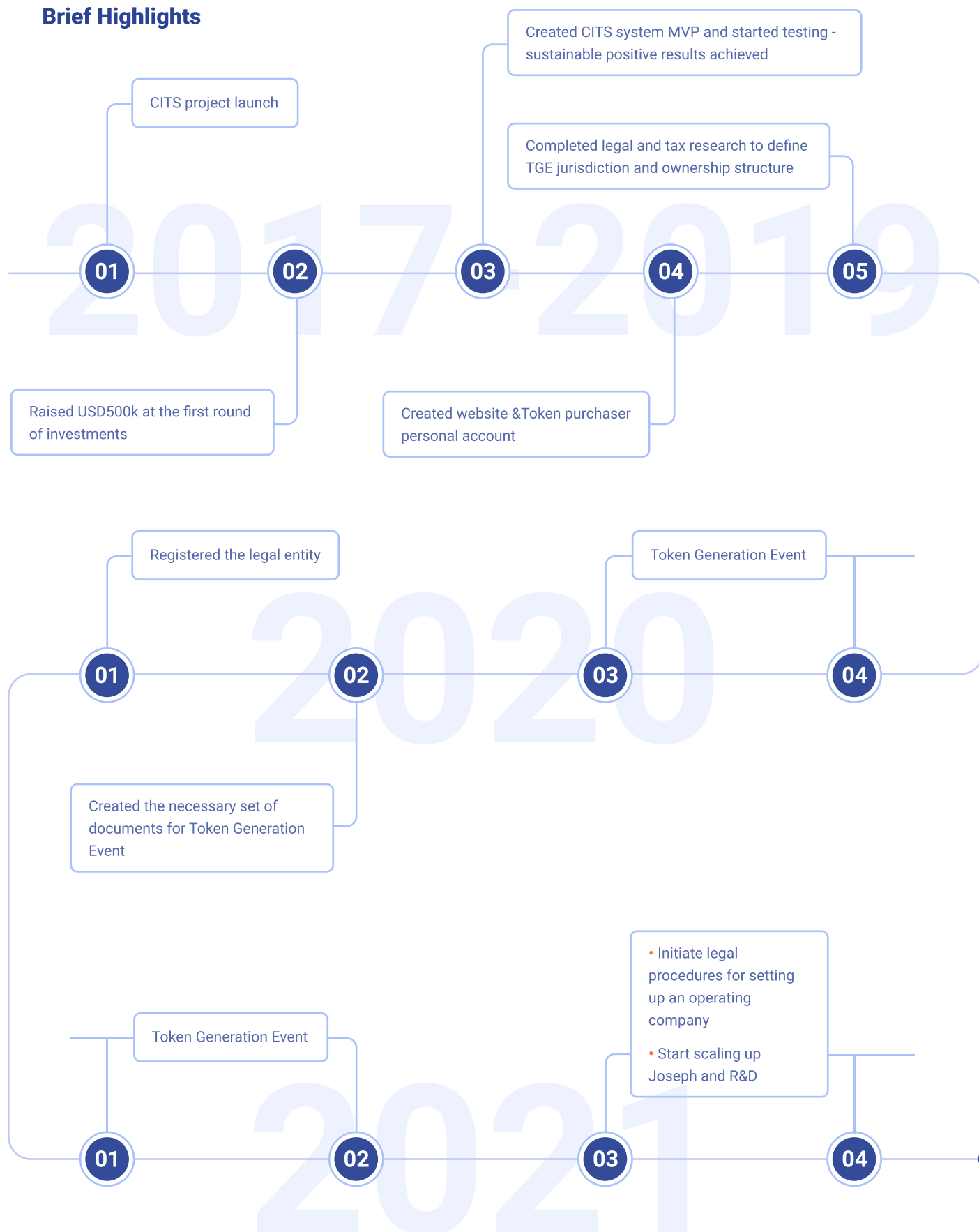
Portfolio investment income

USDk	2020	2021	2022	2023	2024	2025	2026	2027	Total 2020-2027
HoldCo portfolio	-	-	-	-	-	-	-	-	-
OpCo Client portfolio	-	-	33 454	307 515	361 646	393 560	428 292	466 092	1 990 558
OpCo own funds portfolio	-	-	-	4 712	19 194	36 940	58 356	84 034	203 235

Cash Flow Statement

USDk	2020	2021	2022	2023	2024	2025	2026	2027	Total 2020-2027
Operating CF	-	(2 272)	854	71 193	101 588	117 991	136 739	158 177	584 271
Operating profit	-	(2 272)	883	76 889	107 926	117 921	128 798	140 635	570 779
Taxes paid	-	-	(28)	(6 912)	(14 353)	(16 825)	(19 689)	(22 979)	(80 787)
Investing CF	-	(100)	(544 404)	(390 675)	(101 117)	(117 338)	(136 072)	(157 495)	(1 447 202)
Capex (PPE and intangibles purchase)	-	(100)	-	-	-	-	-	-	(100)
Portfolio investment:	-	-	(543 060)	(347 280)	(36 254)	(38 429)	(40 708)	(43 016)	(1 048 747)
HoldCo portfolio	-	-	-	-	-	-	-	-	-
OpCo Client portfolio	-	-	(543 060)	(322 380)	-	-	-	-	(865 440)
OpCo own funds portfolio	-	-	-	(24 900)	(36 254)	(38 429)	(40 708)	(43 016)	(183 307)
Withdrawals to pay dividends and airdrops	-	-	6 428	126 795	161 254	175 478	190 959	207 806	868 721
Dividends, paid to Clients	-	-	(6 428)	(126 795)	(161 254)	(175 478)	(190 959)	(207 806)	(868 721)
Cash, paid to:	-	-	(1 344)	(43 395)	(64 863)	(78 910)	(95 364)	(114 478)	(398 354)
Token holders:	-	-	(672)	(21 697)	(32 432)	(39 455)	(47 682)	(57 239)	(199 177)
HoldCo portfolio investment income	-	-	-	-	-	-	-	-	-
Airdrops from OpCo's dividends	-	-	(672)	(21 089)	(28 424)	(31 007)	(33 867)	(36 979)	(152 038)
OpCo portfolio investment income	-	-	-	(608)	(4 007)	(8 448)	(13 815)	(20 260)	(47 139)
Founders:	-	-	(672)	(21 697)	(32 432)	(39 455)	(47 682)	(57 239)	(199 177)
HoldCo portfolio investment income	-	-	-	-	-	-	-	-	-
Airdrops from OpCo's dividends	-	-	(672)	(21 089)	(28 424)	(31 007)	(33 867)	(36 979)	(152 038)
OpCo portfolio investment income	-	-	-	(608)	(4 007)	(8 448)	(13 815)	(20 260)	(47 139)
Financing CF	-	6 000	543 060	322 380	-	-	-	-	871 440
Token sales	-	6 000	-	-	-	-	-	-	6 000
Client funds raised	-	-	543 060	322 380	-	-	-	-	865 440

Brief Highlights





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CRYPTO INTELLIGENCE TRADING SYSTEM an Exempted Company incorporated in the Cayman Islands with Limited Liability with effect from the 9 March 2020 Company Number: 361019

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