



**FORMOSA FINANCIAL**  
**寶島金融**

**WHITE PAPER**

**RELIABLE AND FLEXIBLE FINANCIAL SERVICES FOR BLOCKCHAIN INNOVATORS**

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\* This White Paper is subject to change at any time without notification. It describes the current plan and vision for Formosa Financial platform. While we intend to attempt to realize this vision, please recognize that it is dependent on a number of factors and subject to a wide range of risks. We do not guarantee, represent or warrant any of the statements in the White Paper, because they are based on our current beliefs, expectations and assumptions, about which there can be no assurance due to various anticipated and unanticipated events that may occur. Please know that we seek to achieve the vision laid out in the white paper and website, but that you cannot rely on any of it coming true. Blockchain, cryptocurrencies and other aspects of our technology and these markets are in their infancy and will be subject to many challenges, competition and a changing environment.

## 1 - Background

Distributed ledger technologies such as blockchain hold the potential to create an open, globally accessible, and transparent financial ecosystem. Massive efficiencies and innovations can be unleashed by migrating transactions from a centralized hub-and-spoke model controlled by third-party intermediaries to a peer-to-peer system. While many financial institutions and tech companies are working diligently to establish this new architecture, major problems regarding scalability, ease of use, and access to these new systems remain.

While multiple projects pursue decentralized solutions to the pressing issues surrounding volatility, liquidity, and speed, the rate of adoption within the broader financial world will continue to significantly lag behind the pace of innovation. The reality is that we need a middle ground between the full-scale decentralization envisioned by early bitcoiners and the tightly controlled networks managed by financial institutions and their regulators. By offering a suite of traditional financial services that are integrated with blockchain-powered applications we can construct a banking platform that serves the needs of forward-looking businesses that still need to operate within the confines of legacy systems.

## 2 - Taiwan (Formosa): The Switzerland of Asia

*Ilha Formosa*, meaning “beautiful island”, is the name that Portuguese explorers gave to the misty, forested outpost when they discovered it in 1542. Although hundreds of years later this island has come to be known as Taiwan, the same spirit of adventure and frontiersmanship lives on in its modern history.

As a territory positioned squarely between the poles of the world’s two major superpowers (China and the United States), Taiwan enjoys the rare privilege of maintaining autonomy without being subject to restrictions imposed by international legal frameworks and conventions. Although Taiwan is home to the world’s 22nd largest economy in terms of nominal gross domestic product, it is not a member of the United Nations.<sup>1</sup> Hardware manufacturing and design titans such as Foxconn, TSMC, and Acer are headquartered in Taiwan to tap into a rich pipeline of engineering talent and robust capital markets. This degree of independence and neutrality has allowed Taiwan to become an innovation hub in technology and finance.

In an effort to further burnish this legacy, industry leaders, regulators, and politicians are collaborating on a set of economic development initiatives to stimulate the next wave of growth. On December 29, 2017 Taiwanese legislators passed the *Act on Financial Technology Innovations*

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<sup>1</sup> [IMF data](#)

*and Experiments* into law<sup>2</sup>. Under the regulatory sandbox created by the Act (“Taiwan Fintech Sandbox”), firms are eligible to bypass burdensome regulations and licensing requirements that fintech companies would typically be subject to. This initiative will enable innovative startups to offer financial services for up to three years without a banking license, giving Taiwan claim to hosting the world’s longest incubation sandbox period for fintech companies.<sup>3</sup>

The Taiwan Fintech Sandbox, alongside the government’s open-mindedness towards blockchain technology makes Taiwan the natural destination to establish the world’s first financial services company for crypto-innovators - a new kind of institution that provides the essential services of traditional banking alongside innovative applications underpinned by distributed ledger technologies.<sup>4</sup>

Formosa Financial is considering submitting an application to participate in the Taiwan Fintech Sandbox with a proposal to offer selective corporate banking services to crypto companies globally. In addition to assessing the pros and cons of entering the Taiwan Fintech Sandbox, Formosa Financial will also continue to assess and potentially pursue relevant licensing in other jurisdictions.

Please note that Formosa Financial platform, in consideration of legal framework and compliance requirements pertaining to token generation activities and other business operational needs, may be operated outside of Taiwan in jurisdictions deemed appropriate; such jurisdictions may include without limitation Cayman Islands, Hong Kong, Bermuda, British Virgin Islands, and Singapore.

### **3 - The Bank Embargo Against Crypto**

Investments into the digital asset and blockchain space have steadily increased over the last five years, but banks remain largely unwilling to provide services to businesses associated with this technology. Digital asset exchanges, crypto hedge funds, and startups that have raised investment rounds through initial coin offerings (ICOs) all struggle to open and maintain bank accounts. Even successful individual investors often can’t easily move funds from exchanges into their personal bank accounts, resulting in a dangerous concentration of capital at exchanges that are constantly targeted by hackers.

Beyond the catastrophic risk posed by hacking, numerous exchanges have lost their banking relationships in recent years, creating uncertainty for customers with funds on deposit and mass

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<sup>2</sup> <http://www.taipeitimes.com/News/taiwan/archives/2017/12/30/2003684893>

<sup>3</sup> <https://international.thenewslens.com/article/87071>

<sup>4</sup>

<https://cointelegraph.com/news/challenging-china-taiwan-supports-mainstream-adoption-of-icos-and-bitcoin>



This unavoidable ambiguity can be greatly mitigated by providing an international banking safe haven for innovators in the blockchain industry. When we accomplish the establishment of a compliant financial institution with appropriate regulatory oversight and risk controls, we can encourage crypto companies to come out from the dark and into the light.

## 4 - The Market Gap: Financial Services for Crypto Companies

According to a recent study, the online banking market is expected to reach approximately \$30 billion by 2023, with the Asia-Pacific region spearheading market growth at a 26.1% compound annual growth rate.<sup>9</sup> Pair this trend with the explosion of development and investment in the digital asset space and the need for a hybrid financial institution that offers the convenience of virtual banking with bleeding edge blockchain applications becomes clear.

For your average crypto investor, the status quo is acceptable although often inconvenient. Depending on the availability of exchange services within a particular country, investors are able to use a credit/debit card or bank wire to get cash on an exchange to start trading, then withdraw the funds back to a local account after making (hopefully profitable) trades. Unfortunately, the ability to seamlessly move funds between blockchain and legacy financial systems is often not readily available to enterprises providing retail access through fiat to the very same cryptomarkets.

While this is largely due to the perception of enhanced risk that banks hold towards blockchain businesses, it is also a result of fragmented liquidity pools, the slowness of legacy payment rails, and various restrictions imposed on transaction size by both exchanges and banks. One way to potentially mitigate some of these issues is to build a book of buy side client business that seek to purchase large blocks of crypto such that orders can be managed internally rather than executed through third party trading venues. Formosa Financial is currently considering business models and expansion plans to tap into this market.

Additionally, corporate banking entails a different set of services than its retail counterpart. Immediate access to loans and other credit products to ensure working capital needs are met is a critical operating requirement. For companies with large amounts of digital assets, the ability to borrow cash against their holdings without liquidating their positions is also a major unaddressed issue.

The need for cash is typically driven by payment obligations - for example, companies must pay employees, lawyers, accountants, and other service providers through traditional payment rails.

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<sup>9</sup>

<https://www.prnewswire.com/news-releases/online-banking-market-expected-to-reach-29976-million-globally-by-2023-649081383.html>

These recurring obligations necessitate the use of both treasury management and payment services that can deliver funds in a predictable and reliable manner. Where companies raising capital through traditional means (such as debt or equity) can immediately focus on leveraging assets to scale their business, startups that have raised funds via ICO (or otherwise) are faced with a thicket of operational, regulatory, and legal hurdles that must be handled.

Unsurprisingly, banks are often unwilling to engage with such customers. By building a financial services institution focused exclusively on these kinds of customers, Formosa Financial seeks to solve these exact problems. With unprecedented levels of volatility and occasional liquidity crunches, we hope to provide companies holding large digital asset reserves practical solutions to pay off their debts in a cost-efficient or timely fashion. To help them mitigate this, Formosa Financial aims to become one of the first to offer credit lines based on deposited crypto assets.

## 5 - Digital First Banking Meets Blockchain

Corporates and consumers alike are increasingly demanding 24/7 banking services that are accessible through web, mobile, and beyond.<sup>10</sup> In addition to providing user-friendly interfaces, financial institutions are beginning to realize the benefits of a platform banking strategy where individual services are modularized through API integrations, thus allowing third-party developers to bring apps to market. With the introduction of Payments Services Directive 2 (PSD2) in the European Union, the transformation of banks into a secure, permissioned database with standardized API endpoints is actually becoming a regulatory requirement in select jurisdictions.<sup>11</sup>

The growing popularity of API-enabled banking services is particularly well-suited for the emergence of blockchain-based products, as it creates opportunities for seamless integration and interoperability between parallel financial ecosystems. In an effort to leverage the best of both worlds, Formosa Financial plans to develop an API platform with full support for major blockchain protocols alongside traditional corporate banking products. As such, the platform aims to serve as a distribution channel for DApps built on supported protocols that will simultaneously tap into a permissioned banking environment that respects compliance considerations and customer preferences. The layers and components of such a system are diagrammed below:

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<sup>10</sup> <https://www.accenture.com/us-en/insight-banking-distribution-marketing-consumer-study>

<sup>11</sup> <https://www.every.com/en/news/articles/psd2-the-directive-that-will-change-banking-as-we-know-it/>

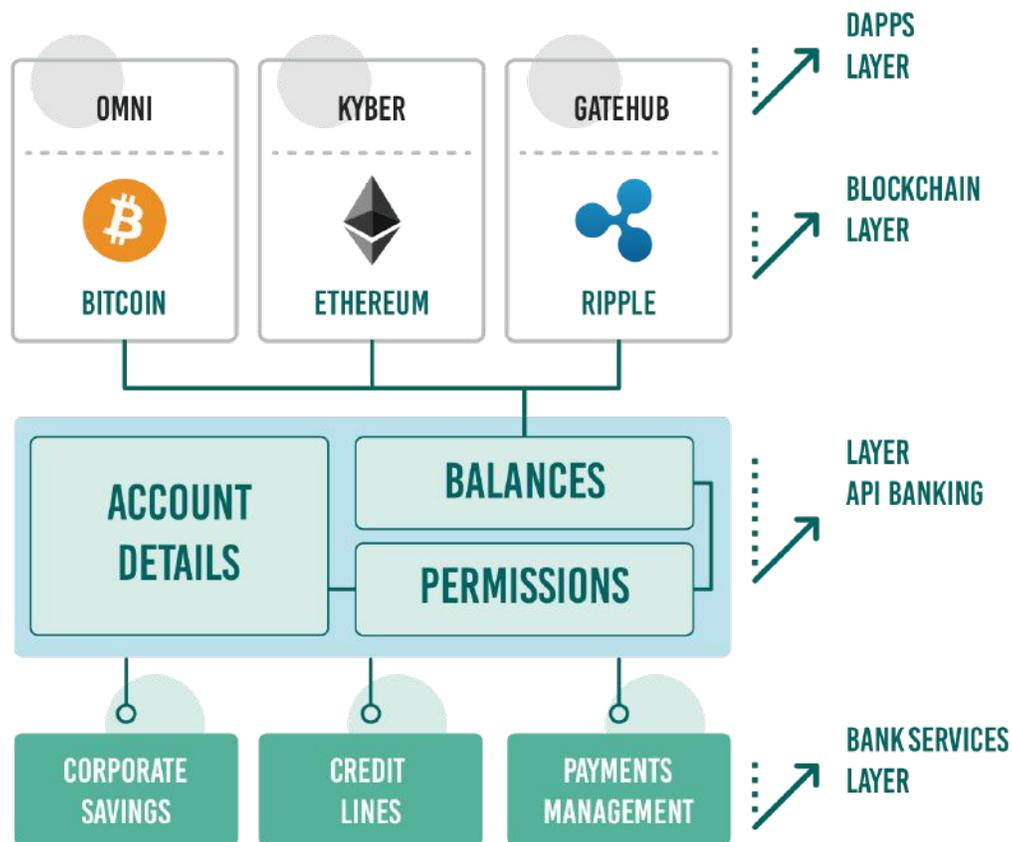


Figure 2: Proposed layers within an API-enabled banking platform offering traditional and blockchain-based services. DApps mentioned are for instructional purposes only.

The core of the Formosa Financial platform is the API banking layer. This layer provides API endpoints and hooks that interface with traditional bank services and blockchain-based transactions managed by DApps. The platform core stores data on account ownership and identity, compliance rules and permissions, along with segregated data on balance holdings across various ledgers.

For each unique account, various bank services can be enabled or disabled. Basic functions such as checking balances in savings accounts, authorizing credit lines, and sending wire transactions through traditional payment rails will be accessible if the required conditions of the platform rules engine are met.

Of course, each unique bank account will also have associated addresses on supported blockchains such as Bitcoin, Ethereum, and Ripple. Accounts holding balances on these blockchains will be able to utilize DApps built on these protocols for various use cases such as exchanging digital assets, payments, tokenized investments, and more.

As transactions are requested from the banking services layer, parsed and processed at the API banking layer, then ultimately executed on the blockchain layer, all stages of each unique business process will be logged, hashed, and added to a permissioned distributed ledger. Entries to this

ledger can only be written by Formosa Financial, but can also be read by authorized parties holding private keys granting granular access levels. This permissioned ledger ensures full transparency, auditability, and compliance such that Formosa Financial is demonstrably acting as a fail-proof technology services layer carrying out customer transactions as instructed.

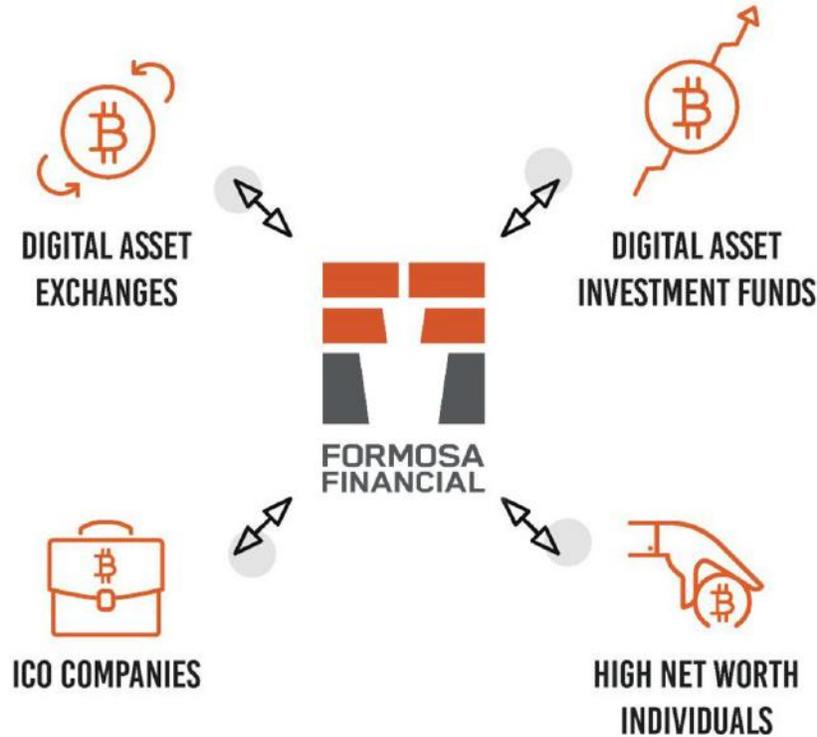
By unifying balances held on both blockchains and traditional bank accounts, the Formosa Financial platform is positioned to offer unparalleled innovation and convenience to companies in the blockchain industry. Beyond the world of blockchains, API banking also offers fertile ground for innovation by other fintech players offering apps with payments, identity, wealth management, accounting, and more. Bringing in innovations from blockchain projects and fintech will create a rich and diverse ecosystem of service offerings for Formosa Financial customers.

## **6 - Target Customers, Phases, & Governance**

The primary goal of the Formosa Financial is to openly establish and promote best-in-class financial services to international crypto companies by establishing operations in the favorable environment offered by Taiwan.

To accomplish this ambitious goal, Formosa Financial will focus on solving problems faced by four types of institutional and individual customers. Initial target customers include:

1. *Digital asset exchanges*
2. *Digital asset investment funds*
3. *Companies who have raised funds through an initial coin offering (ICO)*
4. *High-net worth individuals with large digital asset holdings*



*Figure 3: Formosa Financial initial target customers*

Regardless of the specific needs of these kinds of customers, they will all inevitably experience problems related to aspects of security, treasury management, or payment activities. Formosa Financial intends to design a series of Solutions-oriented-Services (SoS) across two operational phases to address these pain points.

### **6.1 - Two Phase Approach for Services Rollout**

Formosa Financial will develop and operate services across two distinct phases. In Phase 1, to the extent permitted under applicable laws, we aim to act as a trusted asset custodian and broker that provides a basic suite of liquidity and cash management services.

Subject to applicable laws and regulations, Phase 2's focus is on leveraging the existing deposit base accumulated in Phase 1 to offer full-fledged financial services such as working capital credit lines.

	PHASE 1	PHASE 2
<b>Licensing</b>	Subject to applicable laws	Subject to applicable laws and certain conditions such as sandbox admission or future bank license
<b>Lending type</b>	Peer-to-peer match-up	Direct credit lines
<b>Business model</b>	Brokerage fees	Interest from loans, deposit base
<b>Asset custody</b>	Custody brokerage services (cold & hot wallets)	Full custody & multi-sig crosschain wallet
<b>Payment capabilities</b>	Digital fiat/stablecoin withdrawal (USD only)	Digital fiat & outbound international wires
<b>Fiat account type</b>	Virtual	Direct

Figure 4: Formosa Financial service types offered by phase, all Phase 2 services are inclusive of those rolled out in Phase 1.

## 6.2 - Formosa Financial Management Structure

In order to efficiently execute and operationalize the two phase service delivery plan outlined above, Formosa Financial intends to implement a management structure with a board of directors at the top and business verticals reporting to the chief executive below. Each vertical lead will be responsible for monitoring performance against strict service level agreements for customers and ensuring that relevant risk controls are adhered to. The envisioned organizational chart for Formosa Financial upon entering Phase 2 can be found below:

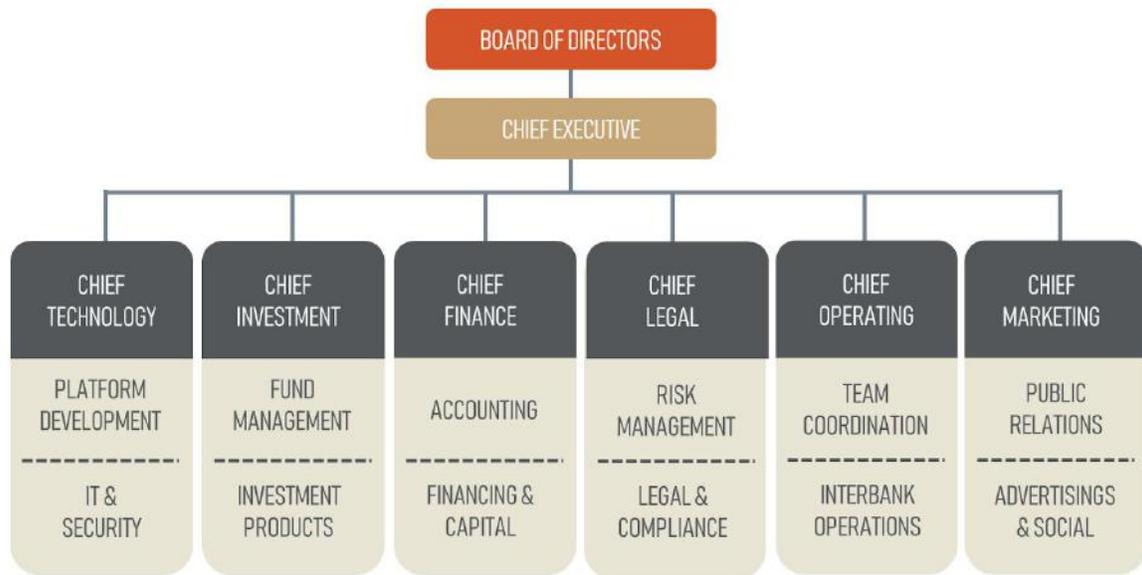


Figure 5: Formosa Financial Phase 2 organization chart by role and department

## 7 - Key Service Offerings

As a starting point and subject to applicable laws and regulations, Formosa Financial will focus on delivering solutions for customers in three critical areas: security, treasury management, and payment services. Future solutions may include tokens backed by a basket of assets such as various fiat and cryptocurrencies (referred to in this white paper as XDRc).

### 7.1 - Security

When handling large sums of money, security will always be the paramount concern. For companies with massive digital asset holdings, there are numerous technical and operational

questions that must be addressed in order to put a reliable security framework in place for accessing wallets.

Loss of private keys is certainly the most common case of failed security protocol. Cryptocurrency forums are full of stories of lost hard drives storing private keys that have access to addresses with millions of dollars of bitcoin. Even when keys are securely held, devices storing them are susceptible to man-in-the-middle attacks as evidenced by the presence of this attack vector on Ledger hardware wallets.<sup>12</sup> Of course, these risks can potentially be mitigated by handing your keys over to a trusted third party that has undergone extensive security audits. Of course, this design decision comes with inherent risks as well as evidenced by numerous exchange hacks that have been punished for faulty cold storage procedures.

As a starting point for Phase 1 and subject to applicable laws and regulations, Formosa Financial intends to offer a highly-secure custodial service that provides easy access to funds while maintaining operationally sound methods for transactions between internal (hot and cold) and external (exchange) wallets.

Last but not least, high-profile coding errors can result in loss of hundreds of millions of dollars - the Parity multi-signature wallet fiasco being the latest example.<sup>13</sup> Due to the technical complexity and nascency of multi-sig solutions, Formosa Financial will roll out this offering for supported blockchain protocols as part of Phase 2.

All these examples are to point out that best practices for wallet security are evolving alongside the cryptographic protocols themselves. As such, Formosa Financial aims to offer best in class cold storage and multi-sig wallet security with support for multiple assets. As new solutions are released into the market they will be evaluated and integrated into custodial services. If available, Formosa Financial plans to take out an insurance policy to guarantee the security of all funds (both crypto and fiat) held on deposit.

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<sup>12</sup>

<https://news.bitcoin.com/ledger-addresses-man-in-the-middle-attack-that-threatens-millions-of-hardware-wallets/>

<sup>13</sup> <https://paritytech.io/on-classes-of-stuck-ether-and-potential-solutions/>

	Full Brokerage Custody	Multi-Sig Wallets
Features	<ul style="list-style-type: none"> <li>• Cold and hot wallets</li> <li>• Complete control over balances</li> <li>• 24/7 access to funds</li> </ul>	<ul style="list-style-type: none"> <li>• Single wallet with support for multiple blockchains</li> <li>• Set required quorum of signatures</li> </ul>
Benefits	Peace of mind knowing your funds are in good hands	No single point of failure for security, more coordination for funds movement

Figure 6: Features and benefits of two security options

## 7.2 - Treasury Management

Liquidating large crypto positions typically requires a series of smaller transactions in order to assure best price execution. This can be done by slowly selling out of a position on a single exchange or structuring simultaneous transactions across multiple exchanges. Regardless of the method chosen, all exchanges are subject to liquidity constraints dependent on current trading volume. This is particularly problematic when dealing with thinly traded assets that may only be listed on smaller, unreliable exchanges.

Formosa Financial's treasury management service strives to facilitate integrations to over 95 exchanges to quickly and efficiently find the best venue for buying or selling any asset. To mitigate the glacial pace of cash withdrawals by international wire, Formosa Financial will be able to forward cash into customer accounts for immediate access. A step-by-step diagram of trade execution pushed through the API banking platform is viewable below:

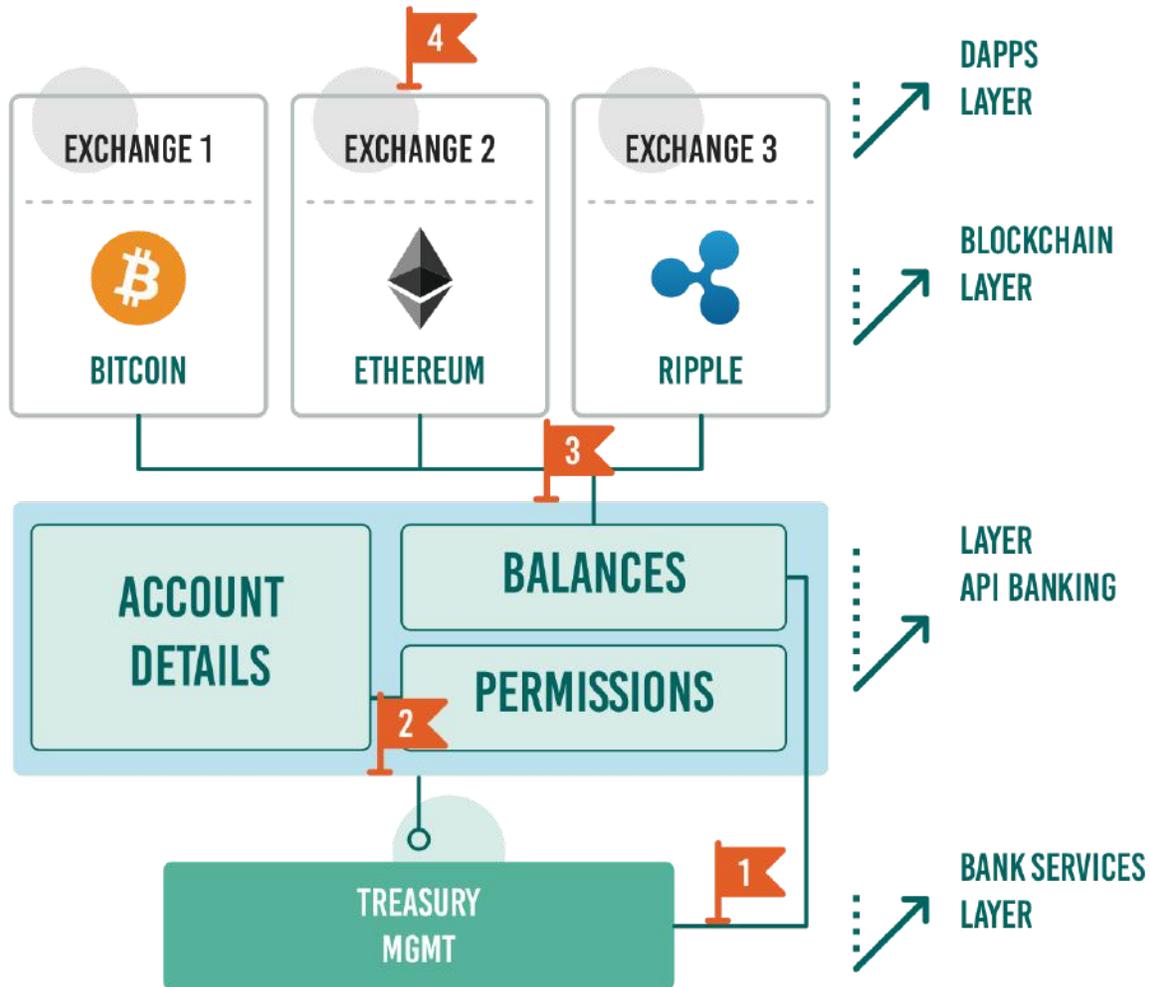


Figure 7: Process operations flow for executing transactions across exchanges

In step 1, a request from the customer using the treasury management service is sent to the API banking layer. Information in this request includes the amount of the asset to sell and target price. Once the request has been validated by checking account details, balances, and permissions in step 2 transactions are sent from the customer’s designated blockchain wallet to their associated deposit addresses at exchanges in step 3. After deposits have been received at the exchange, the asset is then liquidated in step 4 while trying to achieve the target price specified in step 1. Data is retained and propagated throughout the system end-to-end to ensure that trade execution is carried out according to the parameters set by the customer. Newly acquired funds can then be withdrawn from the exchange (either as crypto or fiat) and customer balance details are then updated accordingly within the API banking layer.

All companies ultimately need to manage their positions across various asset classes. Startups holding a bullish view on price appreciation of crypto can put their assets to work in two ways. In

Phase 1, Formosa Financial aims to facilitate a platform where these companies will be able to lend their crypto or cash to other customers by using a peer-to-peer lending market. This P2P market will feature an open order book that allows asset-heavy customers to make short-term loans to borrowers at an interest rate that can be dynamically or statically set. All borrowers will be required to post a certain amount of collateral dependent on the asset type in order to make the lender whole in the event of market volatility. The platform will only provide a peer-to-peer matching service to match the potential lenders with potential borrowers. Under no circumstance will the platform manage the P2P lending transactions and assets.

To the extent permitted under applicable laws and regulations, Formosa Financial will aim to offer bank-issued credit lines so customers can easily access cash for managing expenses. These credit lines would function similarly to a traditional bank lending facility, but would instead allow for the posting of crypto as collateral instead of physical assets. Interest rates will be dynamically determined by market conditions, and the amount and type of collateral posted.

	P2P lending match-up	Direct credit lines
Features	<ul style="list-style-type: none"> <li>• Open order book to provide transparent rates</li> <li>• Built in position liquidation to cover lender risk</li> <li>• Match lenders with borrowers</li> </ul>	<ul style="list-style-type: none"> <li>• Simple pricing and easy access to on-demand credit</li> <li>• No need to separately post collateral, can use existing funds on deposit</li> </ul>
Benefits	Borrow assets at competitive rates from fellow customers	Straightforward, speedy process integrated into other services

Figure 8: Features and benefits of borrowing options

Alternatively, customers may seek to gain future price certainty to better plan their spending instead of taking on short-term debts. A common example can be found in startups that have raised tens of millions of dollars in ETH but need to reduce their volatility risk as they have a pressing need predict their future cash position in order to cover recurring operating costs. This can be accomplished through issuing over-the-counter (“OTC”) forward contracts where the customer buys a contract that requires them to sell their ETH at an agreed upon price at a

predetermined point in the future. By building a robust asset custodianship and lending business, Formosa Financial is likely to be positioned to take the other side of these contracts.

Beyond working capital considerations, many companies are also eager to place strategic bets on emerging projects and technologies. As such, Formosa Financial aims to provide customers with excess cash or crypto reserves with access to pre-placement sales for ICO offerings by other customers of Formosa Financial. Enabling new customers to raise capital for their upcoming projects from existing bank customers will create a virtuous cycle whereby a two-sided market is created. On one side, projects raising money will have unprecedented access to a pool of capital on deposit that is eager to be deployed. On the other side, companies with large digital asset holdings will have insider access to high-quality, vetted investment placements into projects that achieve the lofty standards required by Formosa Financial to open an account. To further extend Formosa Financial's role as a trusted third party, companies fundraising via ICOs may opt to submit their funds to milestone-locked escrow accounts. Governance of funds held in these escrow accounts may be managed either by Formosa Financial itself or smart contracts developed in consultation with customers of investment services.

By offering a combination of liquidity-sourcing services, collateralized credit products, volatility risk management, and exclusive investment opportunities, Formosa Financial brings customers unparalleled tools for keeping a balanced treasury of cash and digital assets.

### **7.3 - Payment Services**

While the growth in market cap and number of addresses within the blockchain space demonstrates a steep adoption curve, we are still many decades away from seeing mass distribution and use of these systems for daily transactions. As such, companies handling crypto still require access to traditional payment networks such as those offered by correspondent banking relationships.

In Phase 1, customers may opt to have their funds withdrawn from the bank by receiving a digital version of their fiat money issued on a blockchain so that it can be sent globally without the interference of third-party intermediaries. To navigate the reality that many other businesses will not be willing to accept a digital fiat asset, Phase 2 will see Formosa Financial set up correspondent banking relationships to process inbound and outbound international payments in supported currencies.

The issuance of digital fiat currencies by Formosa Financial, the consummation of which shall be subject to applicable laws and regulations, will adhere to the highest standards of compliance and transparency. All reserve account balances will be publicly visible in real-time and regularly audited

by reputable accounting firms, enabling customers to transact with the world’s first globally accessible and bank-banked digital fiat currencies. This kind of offering is a natural extension of a similar initiative recently launched by Mitsubishi UFJ Financial Group to launch a new cryptocurrency pegged 1:1 with Japanese Yen on its own exchange.<sup>14</sup> By allowing customers to use our digital fiats globally we expect a number of top exchanges to support trading pairs against it due to the increased trust and transparency enabled by having reserves backed by a regulated financial institution.

	Digital fiat payments	International wire payments
Features	<ul style="list-style-type: none"> <li>• Virtually real-time payments</li> <li>• Globally accessible on protocol of choice</li> </ul>	<ul style="list-style-type: none"> <li>• Current international standard for money movement</li> <li>• Low cost transfers for supported currencies</li> </ul>
Benefit	Instant movement of 100% reserve backed fiat assets	Leverage existing payment networks to make essential business payments

Figure 9: Features and benefits of payment options

With multiple currency support for deposit and withdrawal of both digital fiat and crypto, Formosa Financial aims to eventually have the ability to offer customers blended reserve assets to reduce risk resulting from overexposure to a single asset. This kind of reserve asset may ultimately serve as a payment option itself, dependent on future adoption by ecosystem stakeholders.

In Mandarin Chinese, Formosa is often admiringly referred to as 寶島 (*Bǎo dǎo*) - literally meaning “treasure island”. Formosa Financial plans to research issuing a stablecoin synthetic reserve asset, potentially backed by a weighted portfolio of underlying fiat and crypto, making it a repository for both old and new stores of value. We are in the process of assessing the pros and cons of other currently available options such as Basis Coin and DAI. Formosa Financial will continually assess the success of these projects as we further refine the design of our stablecoin.

<sup>14</sup>

<http://www.forexlive.com/cryptocurrency//japanese-bank-plans-to-launch-its-own-cryptocurrency-mufg-coin-20180117>

## 8 - FMF Token

Business customers seeking to access the financial services described must use FMF, an ERC-20 utility token that will be made available through a private placement.

Initially, 2 billion FMF Tokens will be issued to presale holders who are the earliest customers of Formosa Financial.

### 8.1 - Token Mechanics

FMF Tokens will act as a utility token that allows customers to access tiered services on Formosa Financial platform.

#### 8.1.1 - Access

Customers can use FMF Tokens through proof-of-membership (PoM), a staking mechanism that enables customers to access services offered by the Bank. The purpose of the FMF Tokens is to limit the risks of Formosa Financial by ensuring that customers holding FMF Tokens are companies intending to use the aforementioned services and are committed to utilizing their tokens as such.

This model encourages customers to hold on to their tokens, as the demand for services will subsequently drive demand for additional FMF. Formosa Financial may adjust the pricing of various services from time to time, with the intention so that customers pay a fixed price on a US Dollar denominated basis. Various services will be offered in one of three tiers, with specific prices of each to be determined dynamically based on to-be-determined cost structure:

		 Orchid	 Wild Lily	 Plum Blossom
<b>Security</b>	Digital asset custodial services	✓		✓
	Fiat custodial services		✓	✓
	Multi-Sig wallets		✓	✓
<b>Treasury Management</b>	Liquidity sourcing on multiple exchanges		✓	✓
	OTC Forward contracts			✓
	ICO pre-placement access			✓
<b>Payment Services</b>	Digital fiat withdrawals		✓	✓
	International wire transfers	✓	✓	✓

Figure 10: Services available across tiers, subject to applicable laws and regulations

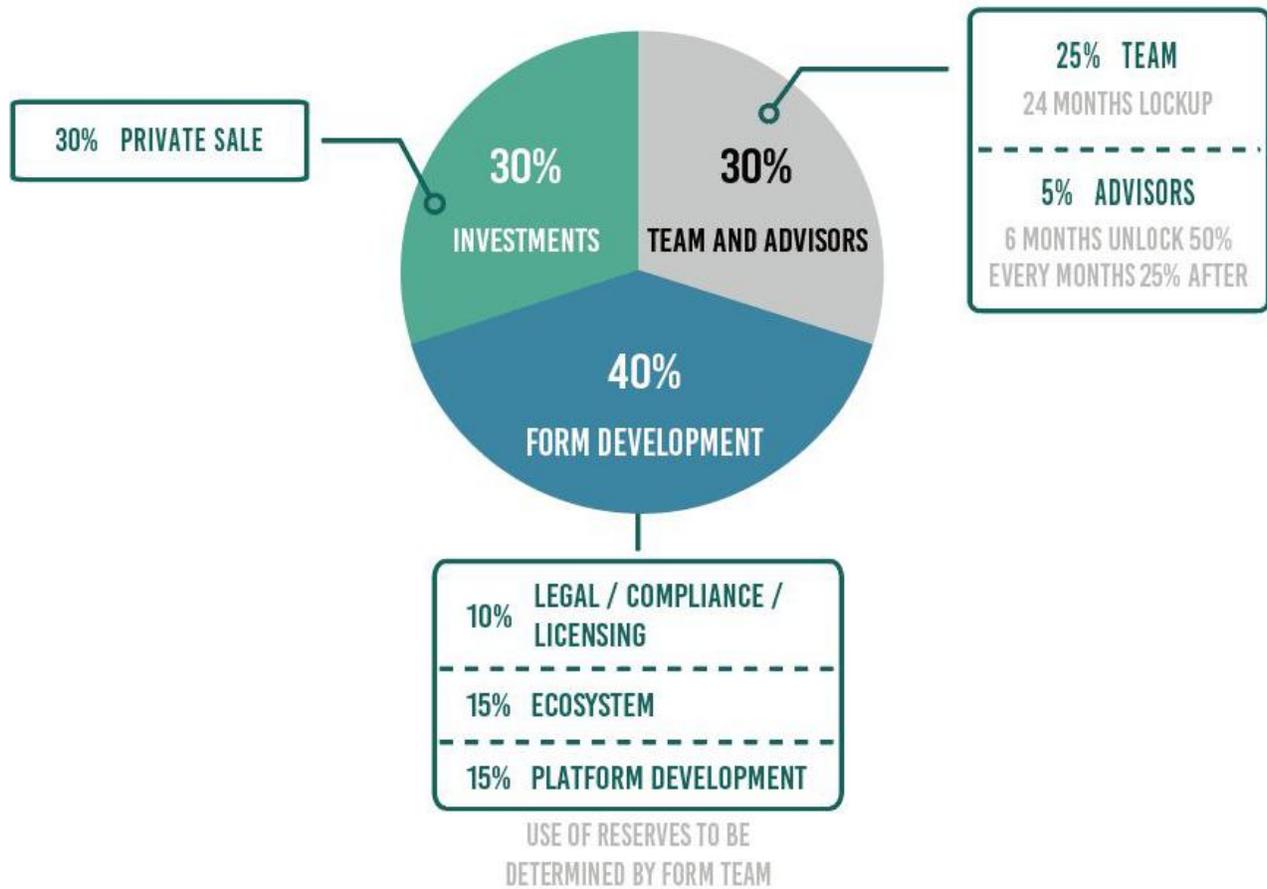
After undergoing a know-your-business (KYB) due diligence process and being authorized to use the Bank and to the extent permitted by applicable laws and regulations, customers will receive deposit addresses for supported blockchains and an account number for making fiat deposits (if eligible for Plum Blossom tier services).

## 9 - Token Distribution

FMF Tokens will be distributed as follows:

- Investments:
  - 30% private sale
- Token generation entity
  - 10% legal, licensing, and compliance

- 15% ecosystem
- 15% platform development  
(Use of reserves to be determined by FMF team)
- Team and advisors:
  - 25% team (24 months lockup)
  - 5% advisors (6 months unlock 50%, every month 25% after)



### 9.1 - Token Sale Details

FMF Tokens will be offered exclusively to selected strategic investors / potential future partners in a both seed investors and private placement presale. It is likely for FMF Tokens to be listed in the future on top exchanges which will enable prospective new customers to access the platform. Tokens will be released 7 days before listing.

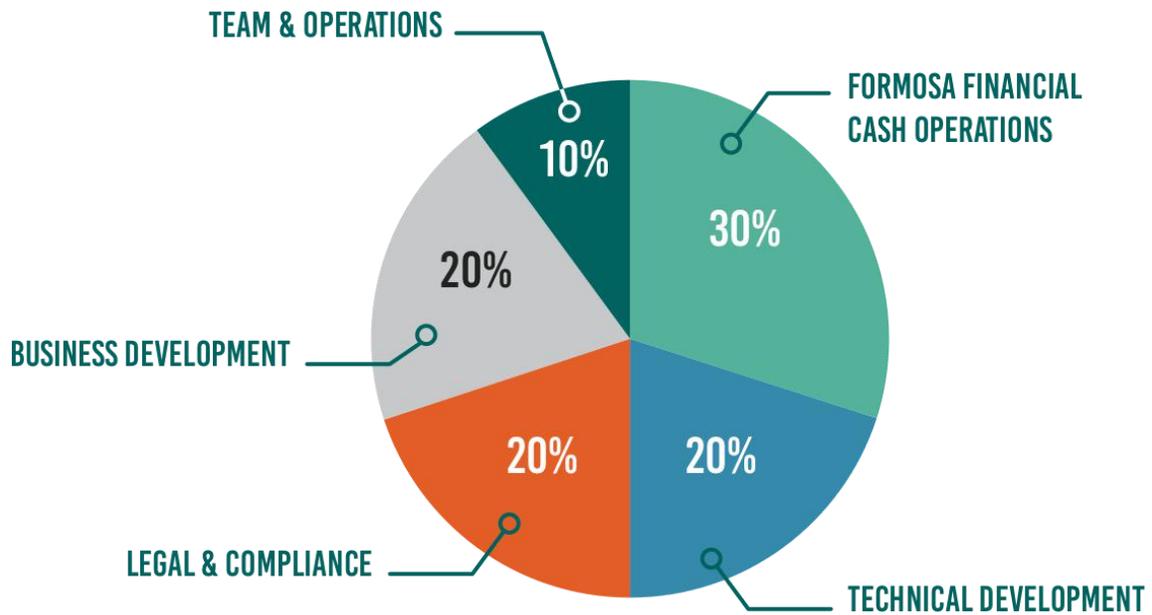
Token Type	Utility Token (Access)
Token Name	Formosa Financial Token

Token Code	FMF
Technology Framework	ERC20 Token Standard on Ethereum
Initial FMF Tokens Supply	2,000,000,000
Accepted currencies	Ethereum

## 9.2 - Use of Funds Distribution

Raised funds will be utilized as follows:

- Formosa Financial cash operations: 30%
- Business development: 20%
- Legal & compliance: 20%
- Technical development: 20%
- Team & operations: 10%



## 10 – Roadmap

### ROADMAP

#### Estimated Dates

- Q1 2018 ○.....● Launch Formosa Financial
- Q2 2018 ○.....● Start platform development
  - Complete fundraising
- Q3 2018 ○.....● Begin to compile ICO company client waitlist
  - Custody and brokerage service in private beta
- Q4 2018 ○.....● Risk hedging in private beta
  - Secure banking relationships
- Q1 2019 ○.....● Launch custody, brokerage and risk hedging products to additional customers (crypto funds, exchanges)
  - P2P lending for cryptocurrency
- Q2 2019 ○.....● Launch debit cards
  - ETF diversification products
- Q3 2019 ○.....● Short-dated forward derivatives contracts
  - P2P trading platform for standardized derivatives smart contracts
- Q4 2019 ○.....● Launch access fund for ICO projects and crypto investments

## 10.1 - Go-To-Market Plan

Rounds	Private Sale Details
<b>Milestones</b> (Estimated date)	Positive business growth by Q3 2018
<b>Activities</b>	Global Road Shows: Average 2 per month
	Kickstart business operations, establish partnerships
<b>Functions/ Product Offering</b>	Full custody system (multi-sig web wallet and cold storage)
	<ul style="list-style-type: none"> <li>-Access to liquidity and smart order routing through our network of global exchanges and OTC markets</li> <li>-Borrowing and lending on both crypto and fiat</li> <li>-Synthetic Prime Brokerage products and service</li> </ul>
	Customized hedging solution to mitigate liquidity, market, and operational risks
<b>Investment Details</b>	Potential cooperating partners (finished or ongoing projects)
	High profile investors with passed KYC checks
<b>Sales Plan</b>  <b>2 billion token</b>	30% of total tokens
	1 ETH = 15000 FMF
	Min Investment 50 ETH

## 11 - Team



George Hsieh / Chairman & Co-founder

At the age of 24, George Hsieh created the acclaimed online brokerage platform during his time as the founder and CEO of KCET (Kong Cheng Electronic Trading), generating a 100-fold increase in revenue in merely 18 months. In addition to his role as an online brokerage pioneer in Taiwan, he also served as the head of the Public Affairs Committee at the Taiwan Securities Association. After completing his Management Studies at MIT's Sloan School of Management, Mr. Hsieh ran successfully for office. During his three-term (11-years) as a Taiwan legislator, Mr. Hsieh served as the convener at the Legislative Yuan's Judiciary and Organic Laws and Statutes Committee, the convener of Budget and Final Accounts Committee, and the majority party Kuomintang Legislative Caucus Whip.

Upon returning to the business world, Mr. Hsieh founded the integrated movie production-distribution-investment company Hualien Media International in 2014. In 2017, the firm announced a HK\$713 million (approximately US\$91.699 million) merger with the Hong Kong-listed entertainment company HMV Digital China. In the same year, Mr. Hsieh became the first owner of a Taiwanese film company to be awarded the EY Entrepreneur of the Year award. Mr. Hsieh has served as the executive director at the Keelung-based bank KSCC since 2011, responsible for business development and corporate image management. The bank has 15 business units across Taipei and Keelung and has made a great contribution for the provision of regional financial services and stabilizing regional financial order.



Ryan Terribilini / CEO & CO-founder

Ryan has worked on numerous projects at the intersection of technology, policy, and operations. He spent four years at Google developing the Android hardware and software ecosystems by managing direct-to-consumer device support operations and creating policies for the world's biggest mobile app marketplace. At Ripple, Ryan served as Head of Developer Relations and Platform Partnerships. Through this role he engaged with numerous financial institutions and FinTech entrepreneurs building the payment systems of the future. Last summer he worked with Catalyst to develop an accelerator program focused on building financial services for underserved populations in India. He is currently a research fellow for the Global Taiwan Institute, undertaking a historical study on the relationship between Taiwan's democratic and economic development.

Ryan is a magna cum laude graduate of the University of California, Berkeley with a degree in Classical Civilizations and a graduate of the University of Oxford's Master of Public Policy program.



Lorne Lantz / CTO

Lorne Lantz is a blockchain entrepreneur, developer and educator who has built multiple financial startups that have won awards with PayPal and Swift. He has been programming for 20+ years. Lorne is an O'Reilly blockchain expert, having co-chaired the O'Reilly Bitcoin & Blockchain Summit, produced educational videos on the blockchain, and technical reviewer for the "Mastering Bitcoin" book. Lorne has launched several fintech startups, including remittances, ewallets, POS, forex, crypto trading and ICO investing. Lorne has been educating corporations around the world on blockchain, including German bankers at TedX Hamburg.



Yalu Lin / COO

Yalu has a very diverse cultural background from Asia (Taiwan), Europe (UK & Poland) and Canada. Graduated from Imperial College London, Joint Maths and Computer Science.

As an entrepreneur, Yalu co-founded a retail distribution in Canada and successfully cooperated with Hudson Bay Company, Staples, Best Buy and Fry's electronics. After a successful exit, Yalu relocated to Guangdong to join a global cooperation in charge of global product R&D, as global sourcing management, and inventory-financial management. He then moved again to the parent company in Europe for marketing and sales operation. With his help, the firm eventually became publicly listed. Yalu was also the president of Imperial College Taiwan Society, and the director of The Taiwan Merchants Association of Toronto.

## 12 - Advisors



Jeffrey Huang / Advisor

Jeffrey Huang (黃立成) is a Taiwanese-American music, entertainment, and technology industry leader based out of Taipei, Taiwan. Jeff has always taken an interest in new technologies as an early adopter, starting as far back as 1998 during the dot-com bubble and later evolving into his most recent realization, 17 Media. His pursuits of newly trending technologies have actively kept him ahead of the curve and a true industry leader. His most recent project, 17 Media, the number 1 live-streaming app in developed Asia. The mobile app quickly became the most popular app in Taiwan, Malaysia, Hong Kong, Singapore and Indonesia. With its recent foray into the Japanese market, 17 Media intends to be a multi-regional online media giant that challenges and seeks to displace the traditional media of yesterday.



Kevin Li / Advisor

Kevin is currently the Senior Vice President of Product and Engineering at 17 Media. He scaled the engineering team from five to more than a hundred people and led the product from zero revenue to massively profitable. Before joining the company, he founded his company named SMD Lab, in which he developed and licensed his news summarization algorithm to several companies, and developed the #1 public bike app on iOS. Kevin specializes in building large-scale distributed systems, and he is also an early adopter of blockchain technology. Kevin holds an M.S. and a B.A. degree in Electrical Engineering from National Taiwan University.



Wei-Ning Huang / Advisor

Wei-Ning is the CTO and Co-founder of the COBINHOOD cryptocurrency exchange. He leads a team of engineers to build the COBINHOOD exchange from the ground up. Before that, he has three years' working experience at Google. Wei-Ning is also an active open-source contributor and worked in the open-source space for more than seven years. He specializes in building large-scale web applications with demanding throughput and availability. Wei-Ning is also an early adopter of cryptocurrencies, having five years of cryptocurrency trading experience and deep understanding of the blockchain technology. Wei-Ning holds a M.S. degree in Computer Science and B.A. degree in Electrical Engineering from National Taiwan University.



Czhang Lin / Advisor

ShangJu Lin (Czhang) graduated with an Electrical Engineering degree from University of Western Ontario in Canada and an Executive MBA degree from Beijing's Tsinghua University and Insead Business School in Fontainebleau, France. With over 10 years of business operations experience, Czhang successfully public listed his own family company on the Warsaw Stock Exchange (Poland) in 2014. To date it is still the only Taiwanese firm to be listed in Central Eastern Europe. Since 2017, Czhang has continued his career in the investments sector as part of the PreAngel Blockchain Fund. PreAngel was Neo's seed investor back in 2014, also since mid 2017 PreAngel has invested in more than 50 blockchain projects such as Oben, Primas, Qlink, Robin8, Smartmesh, Medicalchain, Zeepin, Bnktothefuture, Aptoide, Bluzelle, lotex and more - many of which have already achieved a multiple market value return. Currently Czhang is a Vice President at the JRR Crypto Fund and an advisor for the Asian-Israeli Blockchain Association.



Leo Cheng / Advisor

Leo Cheng is a founder and principal at Blockstate, a San Francisco-based blockchain advisory firm. Blockstate has advised blockchain projects in various industry verticals, including Gaming, IoT/Connected Devices, and Social Media. He is also the Chief Operating Officer of Mithril (MITH).

As a lifelong student of technology, Leo has always been on the business side of technology. Prior to Blockstate, he served on the founding management team at Solano Labs, a developer tools SaaS company that was acquired by GE Digital. Leo has held various roles in Finance, Operations, Marketing, Product, and Business Development across startups and enterprises.

Leo received his BA in Economics from University of California, Berkeley and MBA from the University of Michigan's Ross School of Business.



Richard Wang / Advisor

Richard Wang joined DFJ Dragon Fund since 2011. Mr. Wang has over 20 years of business development, technical marketing and sales management in high technology space experiences. Prior to DFJ Dragon Fund, Richard served as QunZhong E-Commerce's CEO and successfully open up the market and developed the franchise channel. Prior to QunZhong E-Commerce, he founded OLEA Network with partners in Silicon Valley. The company research and develop wireless intelligent ECG sensor by using the Doppler Radar technology. He has several technical papers published in IEEE journal. Mr. Wang holds MSEE from National Chiao Tung University since 1995.

Mr. Richard Wang is interested at Artificial Intelligence Application and fintech area especially in blockchain sector, his portfolios including Yeepay, Senodia, NasoSic, Innodealing, Epticore, Vechain Metaversa, Redpulse, Alphacat , DAF, i-House, Chinapex, RED, Evermarket, OBEN, Primas, Bottos, MDT and YAN.



Jamie Lin / Advisor

Founding Partner of AppWorks (Asia's Leading Startup Accelerator), Eisenhower Fellow

Jamie started AppWorks. AppWorks is both Asia's leading startup accelerator and one of the region's most active early-stage VCs. AppWorks Accelerator, the renowned 6-month free accelerator program, now admits 30 startups per batch from across the region and boasts 300 active startups and 860 founders in its alumni network. All AppWorks startups together generate US\$ 1.9 billion in annual revenues, provide 7,209 jobs and are valued at US\$ 1.7 billion. As a VC, AppWorks has US\$ 61M under management. It funds 10 deals a year, has 50 companies in its portfolio, including Lalamove, 17 Media, Carousell, 91APP, KKday, and Shopback.

Before becoming an investor, Jamie was a founder for 10 years. In 1999, he co-founded Hotcool.com, a pioneer in Taiwan's burgeoning e-commerce industry. After funding dried up post dotcom crash, Hotcool evolved into Intumit, a successful SaaS startup in natural language processing / AI / chatbot verticals. In 2006, Jamie co-founded travel startup Sosauce.com in New York. After Sosauce pivoted into Muse Games in 2009, Jamie moved back to Taipei to start a VC by founders for founders -- AppWorks.

Growing up, Jamie was a geek. He started coding and putting computers together since the age of 10. His blog, MR JAMIE, has provided inspirations to millions of readers in the venture community since 2009.

Besides AppWorks, Jamie has been active in contributing back to the community. He is the current Chairman of Taiwan Internet and E-commerce Association (TiEA), Taiwan's leading trade organization for digital industry. He also serves as an Alternate Member at APEC Business Advisory Council (ABAC) among many other community leadership roles.

## 13 - Disclaimers

This document is for the purpose of the introduction to the project only, and does not constitute any investment advice or suggestions. Neither does this document constitute any form of contractual agreement, promise, commitment or undertaking.

Participants of the project must clearly understand the risks of the project. Purchasing any digital assets in the project means participants are aware of and accept the risks of the project and are willing to bear all subsequent consequences. The project team expressly disclaims that they shall not bear any direct or indirect losses as a result of participating in the project.

Disclaimer terms of this project include and are not limited to

- The acquirer may be subject to adverse legal and/or tax implications as a result of the acquisition or transfer of FMF Tokens.
- The project may be affected by newly implemented regulations.
- Prices of the FMF Tokens are not guaranteed to increase in value and may decline in some circumstances.
- FMF Tokens serve as utility tokens used solely on the Formosa Financial platform and do not represent any form of ownership or control right in FMF Tokens, FMF App, or any other associated entities.
- FMF Tokens could be lost or stolen.
- Blockchain-based digital assets have been subjected to increasing regulatory actions in many countries. Any pressures or adverse regulatory actions from governments or regulatory bodies may impact the project described herein (the “FMF Project”) and FMF Tokens.
- Technologies behind the FMF Project are still at early stage and may not be developed or successfully deployed.
- This Project and FMF Tokens may not receive sufficient interests from individuals or organizations.
- FMF Project and FMF Tokens may not meet the expectations of the FMF team or the participants of the project.
- Formosa Financial platform, like any blockchain platform, may come under internet hacking attacks.
- Software of the FMF Project may have loopholes and may be cracked.
- There may not be any secondary market for FMF Tokens.
- The FMF team may undergo significant adverse changes including possible dissolution.
- The official website (the “Website”) and the wallets of the FMF Project may fail.
- Other unforeseen risks.

- All dates and figures presented in this White Paper are estimated. They are subjected to change without notice. Formosa Financial is dedicated to working to deliver these dates and figures. It is prudent for Formosa Financial to withhold the right to change these figures and dates in order to update the services to their customers according the fast-changing crypto economy.
- There may be risks relating to acts of God, natural disasters, wars, terrorist attacks, riots, civil commotions widespread communicable diseases and other force majeure events beyond the control of FMF team.

Unless participants understand the plan of the project and the risks associated with blockchain-based digital assets, participants are not recommended to participate in the presale of the FMF Tokens. Blockchain-based digital assets are at an early stage of development and thus are inherently risky, and caution must be taken for any participation. Once participants have participated in the presale of the FMF Tokens, the participation is irreversible and cannot be refunded except in the event that the presale fails to meet its soft ceiling.

Participants are notified as follows:

Not available to all persons: Formosa Financial platform and FMF Tokens are not available to all persons. Participation may be subject to a range of steps, including the need to provide certain information and documents.

No offer of regulated products in any jurisdiction: FMF Tokens are not intended to constitute securities or any other regulated product in any jurisdiction. This White Paper does not constitute a prospectus nor offer document of any sort and is not intended to constitute an offer or solicitation of securities or any regulated product in any jurisdiction. This White Paper has not been reviewed by any regulatory authority in any jurisdiction.

No advice: this White Paper does not constitute advice in relation to whether you should participate in the Formosa Financial platform or buy any FMF Tokens, nor should it be relied upon in connection with, any contract or purchasing decision. Participants must take all necessary professional advice, including in relation to tax and accounting treatment. We hope the Formosa Financial project will be highly successful. However, success is not guaranteed, and digital assets and platforms involve risk. Participants must assess the risks and your ability to bear them.

No representations or warranties: No representations or warranties are made as to the accuracy or completeness of the information, statements, opinions or other matters described in this document or otherwise communicated in connection with the project. Without limitation, no representation or warranty is given as to the achievement or reasonableness of any forward-looking or conceptual statements. Nothing in this document is or should be relied upon as a promise or representation as to the future. To the fullest extent permitted under applicable law,

all liability for any loss or damage whatsoever (whether foreseeable or not) arising from or in connection with any person acting on this White Paper, or any aspect of it, notwithstanding any negligence, default or lack of care, is disclaimed. To the extent liability may be restricted but not fully disclaimed, it is restricted to the maximum extent permitted by applicable law.

English version prevails: this White Paper is provided in an official English version only. Any translation is for reference purposes only and is not certified by any person. If there is any inconsistency between a translation and the English version of this White Paper, the English version prevails.

### Risk Disclosures

#### (a) Technology

Sophistication. Tokens are often described in exceedingly technical language; a comprehensive understanding of applied cryptography and computer science is required in order to appreciate inherent risks. By using the services offered by FMF Tokens and the Website (the “Services”), participants represent and warrant that they have sufficient knowledge, market sophistication, experience, and/or professional advice sufficient to undertake a prudent evaluation of the merits and risks of all transactions conducted by participants pursuant to the Services, and agree to bear sole responsibility for the aforementioned evaluation.

Forks. The blockchain technology underlying FMF Tokens is subject to change at any time, including changes in operating rules (commonly referred to as “forks”), and blockchain networks may go offline as a result of bugs, hard forks, or a number of other unforeseeable reasons. Such changes may materially and adversely affect the value or function of the FMF Tokens. Participants agree that participants are fully responsible for monitoring such changes and agree to bear all risks arising therefrom or relating thereto.

Malicious Nodes. Some nodes in the Formosa Financial network may be malicious and attempt to get rewarded without corresponding contribution; also, attackers may try to ruin the Formosa Financial ecosystem if they only suffer from minimal penalties. We need strong guarantees to protect the network from malicious attacks to ensure that the transactions are secured and the ecosystem is sustainable. Some attacks that could threaten a blockchain network are listed and discussed as follows.

Sybil Attack. Malicious nodes could create multiple Sybil identities to strive for more rewards or cheat the network. In general, the proof mechanism should have established barriers to prevent Sybil attacks; however, there is no guarantee such barriers will always be successful.

Out-of-Work Attack. While an attacker can control a lot of nodes, the nodes could be used to make some troubles on a distributed computing network. The nodes controlled by malicious attackers could be called zombies. An attack methodology is to ask the zombie nodes quit or go on a strike at one time. On Formosa Financial network, the zombie nodes may take AI jobs but fail to complete

them or return invalid results. If an AI job is assigned to a group of which most are zombie nodes, the AI job would receive unauthentic results or just simply fail.

Outsourcing Attack. Malicious nodes may outsource their jobs to other nodes, such that they may earn the rewards easily without consuming the corresponding computing power. On Formosa Financial network, nodes should present their capabilities to strive for taking jobs. Validation of node capabilities based on Proof-of-Intelligence may mitigate the behavior of outsourcing attack because the malicious nodes would lose their jobs if they do not endeavor to execute the same; however, there is no guarantee this approach will always be successful.

Disclaimer. Formosa Financial hereby disclaims all responsibility for any loss or damage arising from or relating to participants' use of any Services (including, but not limited to, risk of losses due to trading or due to factors beyond its control regarding the viability of any specific blockchain network). Formosa Financial further disclaims all responsibility for any loss or damages arising from or relating to any cyber-attacks (including without limitation the theft of participants' personal information), unprecedented surges in trading volume, any disruption or shut down of the Services, or other technical difficulties with respect to the Services.

(b) Security of the Platform

Participants acknowledge that information they store or transfer through Formosa Financial's Services may become irretrievably lost or corrupted or temporarily unavailable due to a variety of causes, including software failures, protocol changes by third party providers, internet outages, force majeure event or other disasters including third party DDOS attacks, scheduled or unscheduled maintenance, or other causes either within or outside Formosa Financial' control. Participants are solely responsible for backing up and maintaining duplicate copies of any information participants store or transfer through Formosa Financial' Services.

(c) Not Securities

Use and purchase of the tokens generated by Formosa Financial carries significant financial risk. Formosa Financial hereby expressly disclaims that the transactions taking place on its platform pertain in any way to an offering of securities in any jurisdiction or that any documents published on its platform are solicitations for investment.

(d) Regulatory Measures

Tokens are being, or may be overseen by the regulatory authorities of various jurisdictions. Formosa Financial may receive queries, notices, warnings, requests, or rulings from one or more regulatory authorities from time to time, or may even be ordered to suspend or discontinue any action in connection with the Website or Services. The development of the Website may be seriously affected, hindered, or terminated as a result.

(e) Illiquidity and Price Volatility

Participants may find it difficult or impossible to liquidate. There may not be a demand for FMF Tokens. Formosa Financial is not responsible for the circulation and trading of FMF Tokens on the market. Tokens such as FMF Tokens, if traded on markets, usually have extremely volatile prices. Fluctuations in price over short periods of time frequently occur, which price may be denominated in Bitcoin, Ether, US Dollars or any other fiat currency. Such fluctuations could result from market forces (including speculations), regulatory changes, technical innovations, availability of exchanges, and other objective factors and represent changes in the balance of supply and demand. Formosa Financial is not responsible for any secondary market trading of FMF Tokens, nor is Formosa Financial obliged to tame any price volatility of FMF Tokens. Careful due diligence should be undertaken by participants, with the full understanding that participants' contributions may not ultimately result in a useable or valuable token and the value of participants' contributions may therefore be subject to total loss. Formosa Financial does not make any representation or warranty, explicit or implicit, as to the usability or the value of any tokens that may be utilized on Formosa Financial platform. Participants understand and accept that there is no warranty or assurance that participants will receive any benefits through any FMF Tokens that participants hold.

(f) Compliance by Users.

Participants acknowledge and agree that Formosa Financial is not responsible for determining whether or which laws, rules, or regulations apply or may apply to participants' transactions (including, without limitation, any anti-money laundering laws, securities laws and tax laws). Participants acknowledge and agree that participants are solely responsible for compliance with all such laws rules, or regulations as may be applicable to participants' transactions. Without limiting the foregoing, participants acknowledge and agree that participants are solely responsible for all tax obligations arising from participants' use of the Services. Participants further acknowledge and agree that Formosa Financial shall not be liable, whether directly or indirectly, for any of participants' tax obligations.

(g) Disclosure Compliance.

Participants acknowledge and agree that Formosa Financial' recordkeeping and customer verification procedures may be, without prior notice, subject to change at any time as required by applicable regulations or state of the art practices. Applicable law, regulation, and executive orders may require Formosa Financial to, upon request by government agencies, freeze or suspend withdrawals or trading (or both), or disclose information regarding participants' account(s). In the event such disclosure is compelled, participants agree that Formosa Financial may disclose information regarding participants' accounts. While Formosa Financial will endeavor to, where commercially reasonable, give participants prior notice of such disclosure, Formosa Financial makes no guarantees that such prior notice will be made.