

# NZEX WHITEPAPER

Ever proven Decentralized Platform  
For exchanging commodities

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## **ABSTRACT**

The world is taken aback by the extremity in the increase of commodity exchanges. It is defined as :

“ A commodities exchange is a legal entity that determines and enforces rules and procedures for the trading standardized commodity contracts and related investment products. Commodities exchange also refers to the physical center where trading takes place”

Our attention is deviated to the fact that the commodity market commenced with the trading of agricultural products and later rose to the trading of Iron, steel and the like. The trading of metals and raw materials have become the sole aim of traders. Individuals believe that it's even better to incorporate the blockchain technology in it. Cryptocurrencies play a vital role in the economy. Commodity exchanges are becoming a thing of the future and are growing at an exponential rate. This whitepaper addresses how NZEX intends to keep ahead above the other exchanges and bridge the gap between the current market trends and the use of blockchain technology as a solution. In contrast to other commodities, it is difficult to achieve uniform liquidity in the metallurgical industry.

People are familiar with the traditional commodity exchange process which is tiresome. The hacks and thefts are prominent which indirectly acts as a support system for fraudulent activities. New Zone is here to aid in the process and bring about a change in the commodity exchange market. It is here to digitize the platform using fiat and cryptocurrencies. With NZEX, the mechanisms to achieve transparency and security will be initiated.

## MARKET OVERVIEW

The physical assets such as precious metals, base metals, energy etc fall under commodities. The commodity market witnessed trading for around 200 billion dollars for the year 2002. As the years went by, the participants are moving toward exotic options. Due to the increasing interest in the trading of commodities, more and more institutions are developing the market. The sole aim of the commodity market was to produce efficient markets for energy goods where producers and consumers can transact deals. In comparison to other assets such as equity bonds, the commodities showcase strong volatility.

### (Redesign)

Standard arbitrage theory provides that the price of futures contracts is equal to:

$$[\text{Spot Price}] + [\text{Cost of Carry}] = [\text{Futures Price}] \quad (1.1)$$

Where the cost of carry is equal to:

$$\begin{aligned} [\text{Cost of Carry}] &= [\text{Interest Rate Cost}] \\ &- [\text{Reinvestment Costs}] \text{ like coupon or dividends} \\ &+ [\text{Storage cost}]. \end{aligned} \quad (1.2)$$

Where under [Reinvestment costs] one should understand [coupons] and/or [dividends].

1960 saw the employment of 600,000 people, today the steel industry employs fewer than 200,000 people. The nation is producing more steel but with the lesser labor force. The major reason behind this is that the industry is behind innovative

technology that eventually reduces labor. The size range of products has grown exponentially and the steel industry is the most recyclable on the phase of earth. All this required \$60 billion investment in the steel industry.

Not just the steel industry but other metal industries have been through tremendous growth as well. The traders have different options in mind. The traders purchase commodities to maximize yields due to price appreciation. Secondly, they seek a stable store of value. There are also possibilities for traders to gain exposure via asset management firms. This type of businesses targets only B2B transactions.

## **FORMS OF INVESTMENTS**

**Passive Investing** - This is a strategy used by investors using commodities as a risk diversification tool. The increase in inflation tends to hurt fixed income securities and equities. Now, there are a lot of commodity funds available and the institutions try to minimize the price fluctuations.

**Active Investing** - This can provide excellent performance results. In economic growth, the commodities are in high demand to satisfy production needs. The prices tend to move up quickly but the active approach could lead to gains.

## **EXISTING PROBLEMS**

The commodity market faces a lot of challenges and one of the major is the difficult process of working with traditional commodity exchange processes. It makes it arduous to book a trade and receive the commodity. The process includes a lot of hacks and threats. The market has to contend with the long-term decline and short-term volatility. The longterm decline in real prices reflects in the productivity and production to grow faster. The volatility impacts the production of commodities. These problems are heightened by the market distortions, tariffs, and subsidies. In a nutshell, the challenges faced are:

1. Legal challenges
2. Regulatory challenges

3. Infrastructural challenges
4. Lack of awareness
5. Other challenges pertaining to trading

## **SOLUTIONS**

Keeping in mind the above challenges, Newzone has come up with solutions to overcome the above. By building a new digitized exchange platform, Nzex permits the exchange of commodities using fiat and crypto coins. This platform provides secure transactions with the help of escrow services. This facilitates individuals to buy or sell cryptocurrencies with the help of the most popular payment methods for fiat currencies. Initially, more than 10 cryptocurrencies will be available for exchange including Bitcoin, Ethereum and other altcoins.

## **ABOUT THE COMPANY**

NewZone Intertrade FZE, headquartered in UAE, is a diversified global conglomerate focused on the trading of metals and raw materials.

Through our three primary operating subsidiaries, we provide value-added solutions in distinct – but complementary – areas, while focusing on identifying and capitalizing on selected opportunities within each.

- Trading of industrial metals and dry bulk commodities
- Focus on raw materials for steel making and power generation
- Main products traded are such as nickel, copper, zinc, aluminum and ores & concentrates

## **Our mission**

- To build a profitable and sustainable business that brings long-term value to all our stakeholders, both external and internal.
- 
- Providing high quality, reliable and cost-effective value-added services to clients in our three chosen fields – making us their partner of choice.
- 
- We operate as a socially and environmentally responsible organization and strive to manage our businesses with these values in mind.

### **Our vision**

- To be a company that best understands and provides solutions to the needs of the metallurgical and energy industries within the businesses and geographies in which we operate.

### **Our start-up energy combined with a wealth of experience**

The New Zone Group is a new, dynamic, energetic company – yet one with a wealth of combined knowledge and experience – and underpinned by a strong balance sheet.

### **Our integrity and transparency**

New Zone's dedication to giving our clients world-class service is expressed in everything we do. We stand apart through our ability to build and maintain enduring partnerships with clients – placing our long-term relationships with them ahead of short-term advantage.

We aim to give every counterparty assured performance in terms of reliability, trust, efficiency, and quality without compromising on our business ethics. Simply put, we pride ourselves on our business practices.



### **Our integrated solutions across three business units**

Our business strategy is centered on working with our clients as strategic partners globally to create and execute mutually beneficial solutions.

Our experience and resources across our primary business areas of resources and asset management give us the ability to offer one-stop end-to-end solutions within the niche categories on which we focus and in which we excel.

Our clients benefit from the synergy between our various operations along the supply chain – origination, handling the logistics and where appropriate, offering tools to manage the financial needs and risks of these transactions, enabling us to offer complete and cost-effective solutions.

### **Our agility, pioneering spirit and response time**

For the New Zone Group, agility is a key principle underlying every activity. Our lean entrepreneurial team minimizes complexity, and we seek innovative ways to deliver streamlined services with speed and efficiency – challenging the accepted wisdom and constantly pushing the boundaries of what is possible.

### **Our global scale with an Asian focus**

With a global presence and a strong balance sheet, the New Zone Group is ready to serve clients on any scale, wherever they are located. Our UAE base and our presence in strategic locations give us a focus and insight into the world's fastest-growing economies.

### **Our employees – our driving force**

New Zone's workforce is an integrated team of professionals – united by a shared commitment to the Group's values of integrity, excellence and client

focus. Together, they pursue New Zone's vision of creating sustainable value for both shareholders and employees through a firm dedication to serving the needs of counterparties effectively.

We believe that our people are our biggest asset and therefore we implement best practices in recruitment, training and development and employee retention.

### **A young company with abundant industry and regional experience**

The New Zone Group has recruited a talented management team with an exceptional combined track record coupled with a "can do" attitude.

They bring with them a wide-ranging network of industry relationships and the trust they have earned over the years from numerous business partnerships.

We leverage the collective experience, relationships and knowledge of our teams into a seamless and collaborative organization with the ability to manage our risks efficiently.

### **Spanning the world**

The New Zone Group is headquartered in Dubai, at the heart of perhaps the most economically dynamic region on Earth. This supports our business focus on expansion within the world's fastest-growing markets.

In addition to Dubai, the Group and its subsidiaries operate out of offices in Hong Kong and Singapore enabling us to provide clients anywhere in the world with real-time coverage in all key markets at all times.

## **BENEFITS TO TOKEN HOLDERS**

The customers will go be put through a series of beneficial circumstances.

1. Price Discovery - The inputs on market information, demand, and supply, inflation rates etc are an added benefit in the platform.
2. Price Risk Management - At NZEX, we prefer to reduce the price risk completely.
3. Import-export competitiveness
4. Predictable pricing
5. Credit accessibility
6. Improved product quality

Though these are the general benefits of the commodity exchanges, NZEX aims to focus on three operating subsidiaries. They provide value added solutions in distinct and complementary areas. The platform focuses on identifying and capitalizing selected opportunities such as:

1. Trading of industrial and dry bulk commodities
2. Focus on raw materials for steel making and power generation
3. Main products traded would be - Nickel, copper, zinc, aluminium. Ores and concentrates.

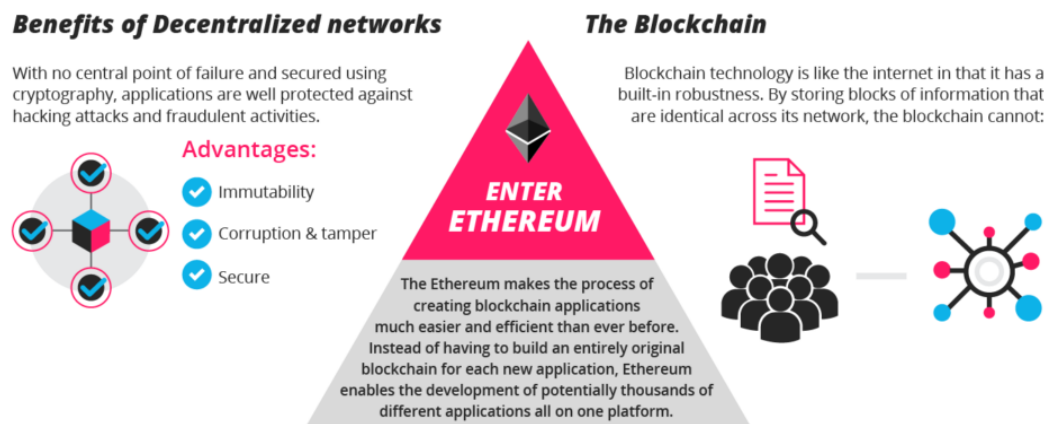
The sole aim is to build a profitable and sustainable business that adds value to stakeholders.

## **EXCLUSIVE FEATURE**

The major feature of the platform is that it sells instances of the decentralized platform to other commodity sellers. These sellers can purchase the instance from NewZone through the NZEX tokens. This adds great value to the coins and increases the purchase rate and benefits for the customers.

## IMPACT OF BLOCKCHAIN

Cryptocurrencies and blockchains have been emerging as the most trusted technology world-wide. These vast innovations involve a secure mode of payment. The blockchain technology utilizes a cryptographic algorithm that binds these blocks in the form of ledger. These are transparent and traceable, which means any transaction can be dated back in time. Bitcoin was the first of its kind in the cryptocurrency family, which uses peer-peer transaction methods. Although blockchain technology is secure, the ledger is visible to the entire world. Other individuals will be able to view the transactions.



The NZEX project uses blockchain technology to tokenize commodities such as steel, iron etc. Initially the commodity smart contracts will be issued through a process started once a commodity holder lists for trading. The data will be displayed. The financial product is later created that represents the underlying asset. After this step, the smart contract will send the commodity to a custodian,

B2B digital trading platform. The trading will go on until it reaches the store, either as a financial asset on the NZEX platform or in the store.

1



An option contract between parties is written as code into the blockchain. The individuals involved are anonymous, but the contract is the public ledger.

2



A triggering event like an expiration date and strike price is hit and the contract executes itself according to the coded terms.

3



Regulators can use the blockchain to understand the activity in the market while maintaining the privacy of individual actors' positions

## FEATURES

1. No additional transportation costs while trading
2. All transactions using NZEX will save fiat currency transaction charges
3. The transactions will be documented on the smart contract
4. The open nature of blockchain technology allows to collect, aggregate and analyze the data for their own purposes.

## **NZEX COIN**

The NZEX coin will be implemented on ERC-20 compatible token over the public Ethereum Blockchain. The activities on the platform will be performed through cryptocurrencies and fiat currencies. This will be hugely useful for

1. Traders who wish to purchase commodities via smart contracts on the NZEX platform.
2. Payment for service providers.

The demand for NZEX coins will be determined by the number of active traders.

## **ERC-20 TOKENS**

ERC – Ethereum Request for comments while 20 is the unique proposal code.

The ERC Tokens define a set of rules for the tokens to be accepted and called ERC20. It adds flexibility and allows changing functionality. It is also customizable.

The common uses include:

- Collateral deals
- Security dividends
- Token-based voting systems

### **Advantages of ERC20 Tokens:**

- The ERC20 Token system is stable and the fastest mode of transaction
- The confirmation of transactions are smoother
- Minimal risk of contract breaking

- Functions of ERC20 enables faster and efficient interaction with blockchain
- Lower fees
- Ability to handle incoming transactions in smart contracts

### Customization Aspect:

The biggest advantage with ERC20 Tokens is that it can be customized that enables the following features:

- **Automated Transactions:**

An individual can assign a token's value by creating a fund that can be utilized to buy or sell.

- **Auto refill:**

Individuals can program it in a way that the transactions go through on a certain date when the value is less.

- **Freezing Tokens:**

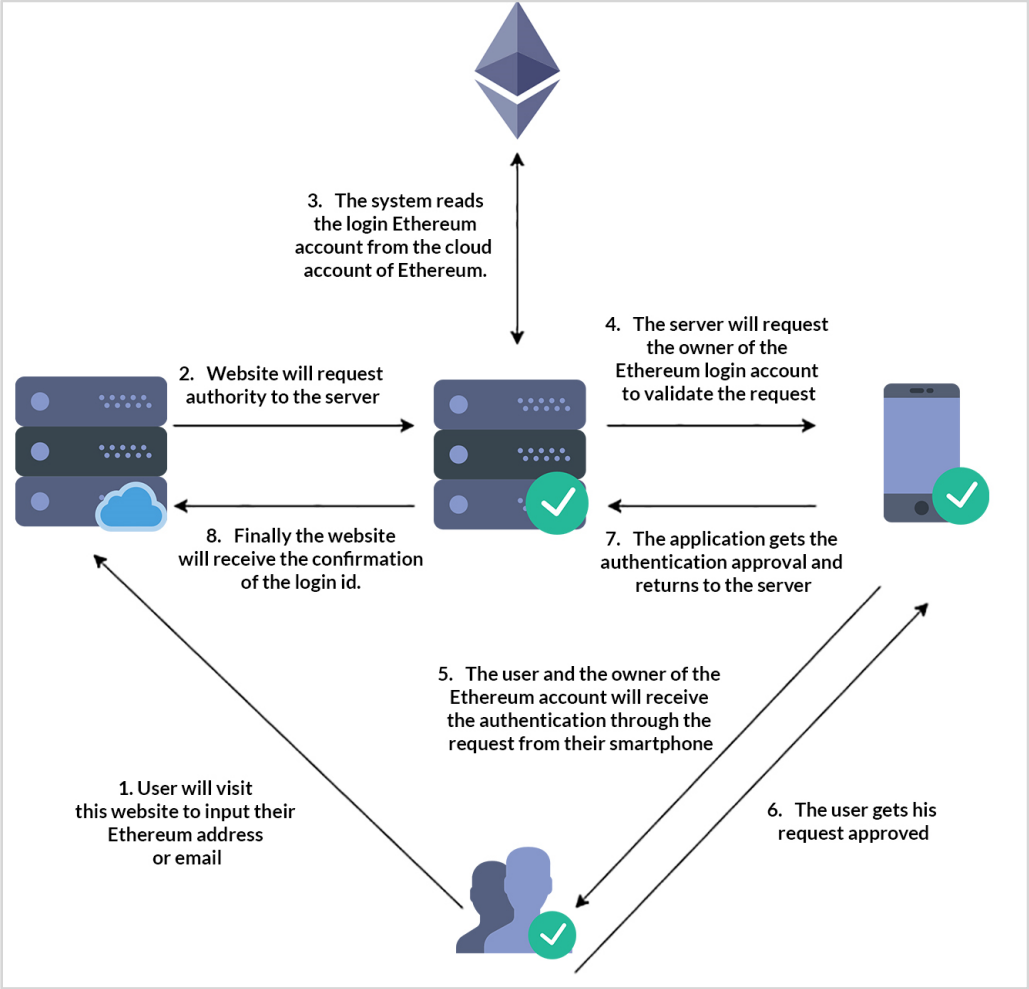
The tokens can be frozen or unfrozen as per their wish.

Apart from these features, one can also add a centralized mint to modify the number of tokens in circulation.

The framework is wide enough to allow for modifications of the functionality of these tokens. Cryptocurrencies and ERC20 tokens are similar concepts. However, these terms cannot be used interchangeably. Tokens are tradable goods which will represent coins. These tokens can be redeemed for any service. The most widely used platform is ERC20 tokens.



# PROCESS CHART



**(Redesign required)**

The process flow of our DAPP shows how an individual or trader looking to buy commodities using fiat or other cryptocurrencies can interact with the platform.

# TOKENOMICS



**(REDESIGN REQUIRED)**

<b>Token Details</b>	
<b>Payment Methods</b>	BTC, ETH, ETC, LTC, XRP, BCH
<b>Project Protocol</b>	Ethereum ERC20
<b>Token Symbol</b>	BOX
<b>Token ICO price</b>	1 BOX ~ \$0.3 USD
<b>Token for sale</b>	150,000,000
<b>Hard Cap (USD)</b>	\$40,000,000 USD
<b>Maximum Supply</b>	300,000,000

## **FUND UTILISATION**

**(REDESIGN REQUIRED)**

	<b>Fund Usage</b>
<b>Trading platform development, Talent acquisition, infrastructure development, financial experts etc.</b>	<b>40%</b>
<b>Marketing and Customer acquisition</b>	<b>30%</b>
<b>Operations</b>	<b>20%</b>
<b>Licensing, legal, advisory</b>	<b>5%</b>
<b>Reserve/Contingency</b>	<b>5%</b>

## TOKEN ALLOCATION

(REDESIGN REQUIRED)

<b>Allocation Group</b>	<b>Allocation %</b>
<b>Crowdsale</b>	50%
<b>Founder Team</b>	25%
<b>Advisors, Marketing</b>	5%
<b>Reserve</b>	20%

## ROADMAP

July 2018 - Raise 1 Billion ICO

December 2018 - Build a decentralized digital commodity Exchange

April 2019 - Allow franchises to leverage our liquidity and orderbook

July 2019 - Go public LTD with the status of market leader