

Born for a Contract Deal

BFX.NU

A Professional Blockchain Asset Futures Exchange

White Paper

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Abstract

BFX, which is abbreviated from Bitcoin Futures Exchange, a professional blockchain asset futures exchange, is committed to improving the industry ecology of blockchain asset trading, providing the most professional blockchain asset contract for global blockchain asset lovers, and creating a blockchain asset exchange of fair and just.

Since the birth of blockchain asset in 2009, many blockchain assets, like Bitcoin, Ethereum, Quantum, etc., have increased hundreds of times or thousands of times, and some even millions of times. The increase has attracted a large number of investment and speculative funds all around the world. The blockchain asset trading market has been hailed as the best investment market in recent years. According to the statistics in the Report on New Middle Class in 2017 by Wu Xiaobo Channel, the investment in blockchain assets represented by Bitcoin has reached 2.5% in the new middle class! When the blockchain asset transaction is gradually accepted by the general public, and due to the need of investors for the asset allocation of mainstream blockchain, contract transactions for hedging emerged, which has greatly promoted the blockchain asset trading market. On Dec. 18th, 2017, a major event in the development of the blockchain asset trading market occurred - CME Group, the world's largest futures exchange, officially launched Bitcoin futures trading. However, at that time, due to a variety of reasons, such as severe centralized control and frequent delivery, the situation of artificially creating quotation has become increasingly fierce, resulting in a large number of users' positions being "burned maliciously" and severely affecting the users' contract trading experience. The image of contract transactions has led to fewer and fewer users participating in contract transactions, resulting in delays in the contractual trading volume and positions, which has restricted the sound development of the contract

trading market. The BFX Specialized Contract Trading Platform will adopt scientific product design to avoid centralized manipulation of contract transactions, enabling the contract trading users to trade with contract transactions like spot trading, making long-term investment in contract transactions possible and effectively avoiding the risk of price fluctuations in settlements. The contractual profits can be settled in real time, and there is no longer an equal share of system losses, etc.. BFX Will greatly change the status of the contract trading market, provide a better contract trading experience for the users, and promote a substantial increase in trading volume and open interest in the contract trading market.

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1. Project Background

1.1 Development of Blockchain Asset Trading Market

Since the birth of blockchain asset in 2009, many blockchain assets, like Bitcoin, Ethereum, Quantum, etc., have increased hundreds of times or thousands of times, and some even millions of times. The increase has attracted a large number of investment and speculative funds all around the world. The blockchain asset trading market has been hailed as the best investment market and a “fortune maker” in recent years, as well as a field with the most myths of making huge fortune.

In particular, with the emergence of a variety of blockchain assets with good trading liquidity, such as Bitcoin, Litecoin, and Ethereum, blockchain asset investment has become a form of asset allocation that is increasingly the favor of many investors.

This proportion above just may be the beginning. With the flourishing of blockchain, more and more investment funds, VCs and other investment institutions and individual investors will participate. A recent report released by the Cambridge Innovation Finance Center shows that people's awareness of blockchain assets is more extensive than imagined. It is estimated that more than 3 million people are actively digging, accumulating and storing blockchain assets and the number is still growing. The world-renowned investment bank Goldman Sachs Group also admitted that institutional investors are now increasingly difficult to ignore the blockchain asset trading market.

1.2 Contract Transactions Emerged

When the blockchain asset transaction is gradually accepted by the general public, and due to the need of investors for the asset allocation of

mainstream blockchain, contract transactions for hedging emerged, which has greatly promoted the blockchain asset trading market.

Contract transaction refers to a standardized transaction agreement formulated by the contract trading platform. The agreement stipulates that the holder of the contract can deliver the price difference of the specific blockchain assets held at a specific price on a certain day in the future. The main difference from the spot trading of blockchain assets: First, different direct objects of buying and selling. The direct object of blockchain asset spot trading is the blockchain asset itself, and the direct object of the contract transaction is a certain blockchain asset contract, which is how many blockchain asset contracts are bought or sold. Second, different margin requirements. Blockchain asset spot trading requires 100% of margin, but contract transaction has leverage to amplify trading volatility. Third, different settlement methods. The blockchain asset spot trading means cash on delivery. Because of the margin system, contract transactions need to be settled only at the time of closing or forced liquidation.

A major event in the development of the blockchain asset contract trading market is that on December 18th, 2017, CME Group, the world's largest futures exchange, officially launched bitcoin futures trading.

1.3 The Main Issues in the Current Contract Transactions

As described in 1.2, the emergence of contract transaction has greatly enriched the transaction forms of blockchain asset. The investors are able to open short positions, gamble small amount on large amount with leverage, and those who expect spot demand can hedge. The positive effect is obvious.

But why has the contract transaction been criticizing and why doesn't its trading volume increase with its development? There are mainly the following reasons.

1.3.1 Serious Centralized Manipulation

In the current contract transactions, there are often cases of “the position is gone but the price doesn’t change overnight”, and the event of “malicious burned positions” occurs frequently. This is subject to serious manipulations by large investors, especially the combination of some trading platforms with big investors. This has aggravated this situation, resulting in a large number of users being maliciously shuffled and fewer and fewer users participating in the contract transactions. This is the most important reason constraining the expansion of the contract trading market.

1.3.2 "Delivery" Becomes "Harvest"

The contract’s original intention of designing delivery rules is to prevent excessive deviations between spot price and futures price. However, short delivery time results in frequent delivery and this is pitted as large investors’ tool to shuffle retail investors in the case of severe centralized operations, which caused the retail investors’ positions fewer and fewer. And eventually, "delivery" becomes "harvest" and the image of contract transactions is destroyed.

1.3.3 Sharp Fluctuations in Settlement Currency Prices

Most of the current contract transactions are based on the idea of token speculation. As margin, tokens are fluctuated fiercely with the volatility of the market price, which results in failure to achieve effective hedging or constant profit and loss, and causes less profits or more losses. This has seriously affected the users’ contract trading experience, and is also

one of the important reasons of not increasing of the contract volume and open interest.

1.3.4 Profit Cannot Be Settled in Time

In the current contract transactions, only the principal of the transaction can be withdrew in real time, but the withdrawal of the transaction profit often has a settlement period, which affects the final effect of the hedging transaction and the users' contract trading experience.

1.3.5 Issues of Equal Sharing of System Losses

So far, the contract transaction model has explored a variety of methods to resolve issues of equal sharing of system losses. However, the models of equal sharing of funds or system losses, or the combination of two cannot resolve the problem. Not only does it affect the users' contract trading experience, it also affects the effectiveness of hedging transactions.

1.3.6 Single Transaction Variety

The current contract transactions just includes Bitcoin and Litecoin, and the demand for contract transactions in some of the more fluid and innovative tokens has not been met.

2. What We Do

We are committed to creating a professional blockchain asset trading

platform of BFX.NU, improving the industry ecology of blockchain asset trading, providing the most professional blockchain asset contract for global blockchain asset lovers, and creating a blockchain asset trading platform of fair and just.

3. Our Advantages

3.1 Decentralized Price Manipulation

To solve the serious problem of the current contract transaction's centralized manipulation, the contract trading price and the burned position price will be separated in the contract transaction designed by BFX, and the problem that the platform is both a referee and an athlete will be avoided. The price standard of the burned position adopts the index price formed by the digital asset spot trading platform, thus even if the contract trading price in the platform is maliciously manipulated, it will not cause the users to be maliciously punctured, but become an opportunity for arbitragers, which fundamentally solves the problem of malicious price manipulation in contract transaction.

3.2 Make Long-Term Investment Possible

To solve the problem of frequent delivery in current contract transactions, BFX has designed a perpetual trading contract. As long as the user does not actively close position or is not forced to settle due to insufficient margin, he can hold certain blockchain assets for a long time like spot trading, which allows him to make contract trading like spot trading, and saves the capital cost of doing trend trading, and no longer has to worry about being "delivered" frequently.

© Speculative traders: Eliminate "delivery market" and make technical

analysis more effective;

◎ Long-term traders: Eliminate frequent delivery, no need to open positions continuously, and hold positions for a long time;

◎ Hedging traders: The hedging can be realized more accurately according to the spot demand of the actual date.

3.3 Avoid the Risk of Settlement Currency Fluctuations

The BFX contract transaction will use the US dollar as the trading margin, which not only ensures the value of the trading margin is constant, but also avoids the potential risk of direct currency trading.

◎ Speculative traders: Because of the constant value of margin, they can accurately invest.

◎ Hedging traders: Hedging is possible.

◎ Programmer traders: Fund ratio can be calculated accurately and the trading strategy can be reached.

3.4 Contract profit Can Be Settled in Real Time

In BFX's contract trading model, the contract profit can be settled in a timely manner after the user closes the position. It is not necessary to wait until the delivery to withdraw the profit, which ensures the maximization of the user's profit and helps the user to make reasonable fund arrangements. It is also beneficial to improve the accuracy of hedging.

3.5 No Equal Sharing of System Losses

In the traditional contract trading mode, there will always be system losses. The largest loss in the history of the blockchain industry has reached nearly 50%, and as a result, the profit is divided into half. It

seemed that the hedgers were successful in hedging, while after half sharing, the hedging was seriously distorted and there was a huge loss. In the contract trading model designed by BFX, there is no longer any equal sharing of system losses and both trend traders and hedge traders can be reassured of trading.

© Speculative traders: Maximize profits, and the phenomenon of sharing half of the profit” will no longer exist.

© Hedging traders: Without the equal sharing of system losses, hedging can be fully achieved, and the hedging failure can be eliminated.

3.6 Supporting Various Blockchain Assets

Although BFX chooses to use USD as the margin for contract transactions, we have designed a trading model that facilitates global users' access to capital, and supports blockchain asset enthusiasts around the world through various mainstream blockchain assets such as Bitcoin, Ethereum, EOS and so on.

3.7 Tradable Variety Keeps Pace with the Times

BFX's contract trading platform will reflect the changes in the hedging demand of the trading market in a timely manner, so as to keep pace with the times, and timely launch varieties and trading models suitable for market needs, as well as promote the development of the contract trading market.

3.8 Lowering Investment Threshold

At present, the threshold for new entrants of some blockchain assets are too high. A typical example is Bitcoin, whose current trading price has

reached a maximum of more than 100,000 yuan. Although the smallest trading unit of Bitcoin can be roughly divided, for new entrants, spending thousands or even tens of thousands buying less than 1 Bitcoin is a serious impact on purchasing confidence. In BFX's contract trading model, contract trading is carried out like a spot trading, and the increase in positions is achieved through leverage amplification, thus the threshold for investors is lowered.

3.9 For Global Investors

The contract trading platform designed by BFX will continue to support the world's major languages, provide transaction services for blockchain asset lovers around the world, and give full play to the international advantages of blockchain asset transactions.

4. BFX's Operating Strategy

4.1 Product Strategy

A good product strategy is the cornerstone of product success. The following principles will be the basic starting points for the formulation of our product strategy:

4.1.1 The Most Scientific Product Design

Through scientific product design, we avoid centralized manipulation of contract transactions, enabling contract trading users to realize contract trading like spot trading, making long-term investment in contract

transactions possible, and effectively avoiding risk of settlement currency price fluctuations. Contract profit can be settled in real time, and there is no longer any equal sharing of system losses and so on.

4.1.2 Product Selection That Best Meets Market Demand

Our product selection will aim at market demand, keep pace with the times, enrich trading products continuously and meet diversified market demands.

4.2 Market Strategy

Good wine also needs advertisement. Thus we will pay special attention to product marketing, and constantly expand the use of the product audience. Details as follows:

4.2.1 Continuously Improve Trading Liquidity

We will attract users with market liquidity through the programmatic trading methods to meet the demand of the user's trading for the counterparty trading.

4.2.2 Make the Market for Global Users Gradually

We will rely on the new market brokerage system, assemble multiple forces, mobilize private marketing teams, and continue to expand the user groups of the contract trading platform.

4.2.3 Continuous Marketing

We will conduct regular and continuous advertising and marketing in the blockchain industry to promote the contract trading platform.

5. Overview of the BFX Ecosystem

BFX is committed to improving the industry ecology of blockchain assets, providing the most professional blockchain asset contract trading services to blockchain asset lovers around the world, and creating a fair and just blockchain assets contract trading platform.

The BFX is a token issued and managed based on the blockchain ERC20 at the beginning, and is the only token issued by the official BFX. NU will support BFX's global business and its full range of products. The BFX tokens will be released primarily in the form of gifts.

In the later period, when the BFX platform operating model is stable, it will consider upgrading to public chain. The BFX is currently mainly used for standardized contract transactions and will also be explored in the future for non-standardized contract trading scenarios. Non-standardized contracts will be presented in the form of smart contracts. In the future, we will rely on the ecology of the contract chain to explore and establish a non-standardized contract trading platform.

6. Value of BFX

6.1 Use Value of BFX

BFX is positioned as the only using token of the BFX blockchain asset

contract trading platform and related ecosystems. This is the most important support point for the use value of BFX. Users holding BFX tokens can not only enjoy 100% of bonus for the trading fees of the platform, but also participate in the follow-up ecosystem construction process of BFX. With the increasing number of trading users, turnover and positions, the demand for BFX tokens will increase accordingly.

6.2 Value Support of BFX

The value support of BFX depends mainly on the development of its ecology, which is reflected in the following aspects:

6.2.1 Increase in Contract Transaction Volume

Since the bonus of platform fee is the main value support of BFX in the entire ecosystem, the value of BFX may rise with the gradual expansion of the contract transaction volume and positions. Currently, the daily turnover of the entire contract trading market is accounted by billions.

6.2.2 Decrease of BFX Circulation

In the follow-up BFX ecosystem, comprehensive measures will be adopted to consume BFX stocks. After releasing a certain amount of BFX, it may gradually reduce and cause scarcity.

6.2.3 Increase of BFX holders

In addition to vigorously building the circulation ecology within BFX, we will continue to promote BFX through online trading platforms at home and abroad to increase the liquidity and expand the holding user groups of

BFX, and achieve a positive interaction and mutual promotion between the user groups of contract transactions and token investments.

7. BFX Allocation Plan

7.1 Token Allocation

BFX is a token, with a total volume of 1 billion and will never be issued with new tokens, issued and managed based on the blockchain ERC20 at the initial stage. The specific distribution ratio is as follows:

Issue Ratio	volume	Object	Use description
50%	500 million	Bonus	Distributed in 10 steps with instant circulation
30%	300 million	Management Team	Holding for long-term with frozen
10%	100 million	Community Construction and Promotion	Used as community construction and promotion
10%	100 million	Cooperation Institutions	Agency oriented strategic cooperation

1, Bonus through trading and mining

50% of the tokens, i.e. 500 million, will be allocated as bonus through trading and mining, and it will be divided into 10 phases as follows:

Stage	Volume	Bonus Ratio
The 1 st Stage	50 million	One BFX will be given as bonus once 0.015usd handling fee generated.
The 2 nd	50	One BFX will be given as bonus once 0.03usd

Stage		million	handling fee generated.
The 3 rd Stage		50 million	One BFX will be given as bonus once 0.06usd handling fee generated.
The 4 th Stage		50 million	One BFX will be given as bonus once 0.12usd handling fee generated.
The 5 th Stage		50 million	One BFX will be given as bonus once 0.24usd handling fee generated.
The 6 th Stage		50 million	One BFX will be given as bonus once 0.48usd handling fee generated.
The 7 th Stage		50 million	One BFX will be given as bonus once 0.96usd handling fee generated.
The 8 th Stage		50 million	One BFX will be given as bonus once 1.92usd handling fee generated.
The 9 th Stage		50 million	One BFX will be given as bonus once 3.84usd handling fee generated.
The 10 th Stage		50 million	One BFX will be given as bonus once 7.68usd handling fee generated.

2. 30% is allocated to the founding team, i.e. 300 million, and the team holds the token for long-term without freezing. During the frozen period, the team has the right to get bonus according to the bonus rule.

3. 10% is allocated for community promotion and marketing, i.e. 100 million, which will be released after one year for continuous 5 years. That's to say, 20 million is released per year. The release must be announced one month in advance. During the frozen period, the community has the right to get bonus according to the bonus rule.

4. 10% is allocated to the cooperation institutions, i.e. 100 million, which will be released after one year for continuous 5 years. That's to say, 20 million is released per year. The release must be announced one month in

advance. During the frozen period, the cooperation institutions have the right to get bonus according to the bonus rule.

7.2 Trading for Bonus

100% of the handling fee generated by opening and closing positions by users is converted into the platform token and rewards to the participating users. The platform will take 80% of the trading fee to users who hold platform tokens as bonus, and the other 20% is regarded as the invitation bonus. In addition to the direct invitation, the rebate will be rewarded with a large data analysis for the indirect invitation.

The bonus amount is calculated from 12:00:00 to 11:59:59 every day. Fees generated by the deadline of the day will be returned to users at 12:00:00 the next day.

7.3 Bonus Detail

The amount of mining output on the day of trading corresponds to the release of the same amount of frozen bonus. For example, if 10 million BFX were generated in the first day of trading, then 10 million BFX will be released from the frozen 500 million BFX, and the remaining five parts will release 10 million bonus in total according to their respective proportions.

8. Project Schedule

March 2018 BFX project started

May 2018 BFX Beta Trading Platform Gone Online

June 2018 BFX Specialized Blockchain Asset Contract Trading Platform Goes Online

In early July 2018 BFX began to implement a cornerstone private placement.

In middle July 2018 BFX starts trading, mining and promoting in the whole industry

September 2018 BFX contract transaction's active users exceed 200,000

December 2018 BFX trading platform ranks in the forefront of blockchain contract trading platform

Appendix: Related Terms

1 Hedge (Hedging): A hedge is an investment position intended to offset potential losses or gains that may be incurred by a companion investment. In simple language, a hedge is a risk management technique used to reduce any substantial losses or gains suffered by an individual or an organization. The basic feature of hedging is that in the spot market and the futures market, the same kind of goods are traded at the same time but oppositely, that means that if they are sold or bought in the spot market, they will be bought or sold at the same time in the futures market. After a period of time, when the price changes make gains or losses on the spot market, the losses or gains can be offset or compensated in the futures market. Thus a hedging mechanism is established between the two markets to minimize the price risk. After all, the futures market is an independent market that is different from the spot market. It will also be affected by some other factors. Therefore, the fluctuation time and volatility of the futures price are not necessarily the same as the spot price; in addition, there are prescribed trading units on the futures market, thus the volume of market operations is often not the same, which means that hedgers may get additional gains or losses when they compensate or offset the two markets.

2 Open position, close position: open position is also called establish position or “establish trading position”, which means that investors buy or sell a certain number of contracts, which are divided into “open position of buying” and "open position of selling". The contract transaction is the same as the spot transaction, if one wants to buy, there is someone wants to sell. Close position refers to the behavior of a trader to trade reversely. It is also called "closing" or "hedging." Measures to stop more losses are also called “close positions”

3 Long position, short position: long position is "expensive buy", short position is "cheap sale".

4 Delivery: Delivery means that the platform will force to make delivery of the expired contract if the contract expires but the user does not choose to close the position and settle in advance.

5 Margin Trading: Margin trading means that when a user buys or sells a contract, he only needs to pay a certain Bitcoin as a margin according to a certain percentage, but the profit and loss is determined according to the actual opening amount. And the gains and losses of contract trading have a leverage effect. If the trading margin is 2%, 5%, 10%, 20%, 100%, the corresponding leverage ratio is 50x, 20x, 10x, 5x, 1x. Users should follow the market volatility and his risk preference choose the trading leverage.

6 Position, open interest: position refers to the state in which a contract trader holds an open position. Open interest refers to the number of open contracts held by the contract trader.