

GENERAL ASSEMBLY

July 13-14, 2022

New York, NY

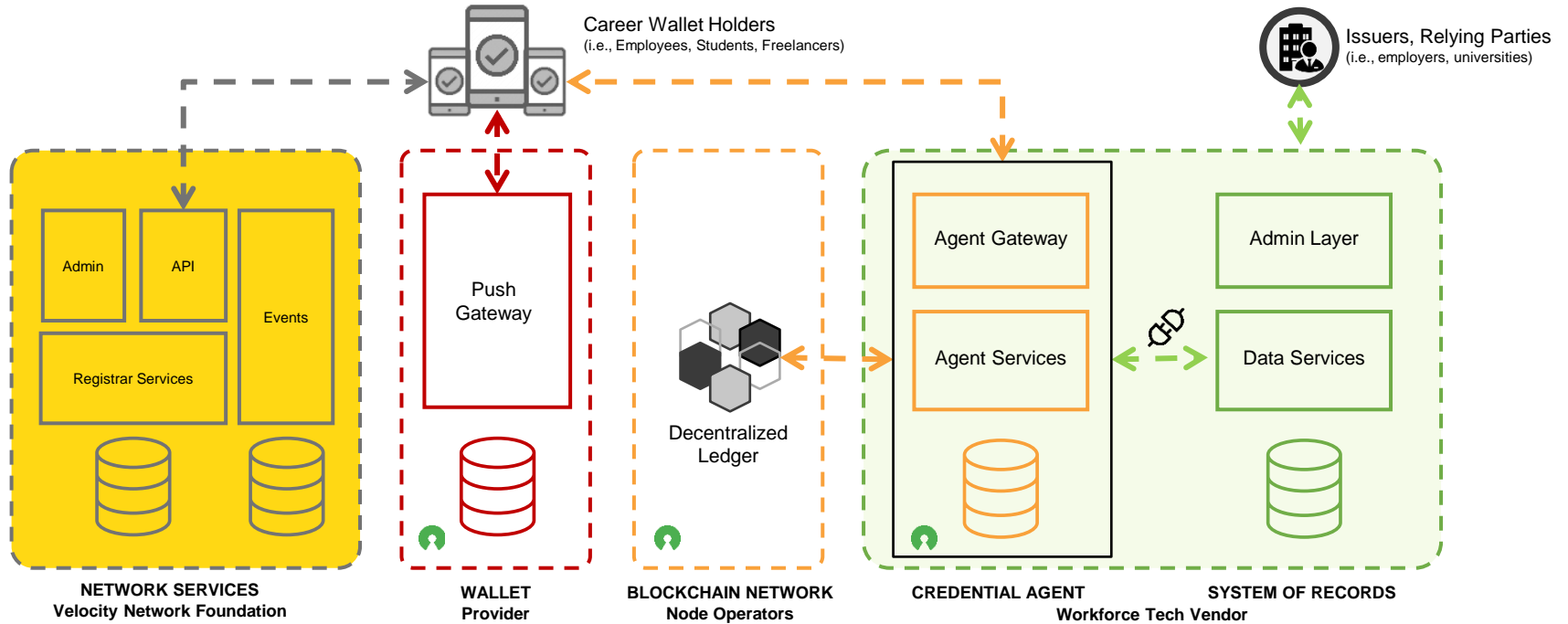


Monetizing on Velocity Network

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The Actors

A Quick Refresh on Network Architecture



The Actors

A Quick Refresh on Network Participants

| Participant | Description and Activities |
|---------------------------------|--|
| Holder | Natural persons that store Credentials in their Wallets for use in the Velocity Network™. |
| Issuer | An organization that asserts the Claims about the Holder to whom a Verifiable Credential is Issued. |
| Notary Issuer | An organization that was certified by the Velocity Network Foundation® to assert Claims about the Holder to whom a Verifiable Credential is issued, that would have typically been asserted by a 3rd party organization. |
| Relying Party | An Entity that requests a Credential from a Holder and verifies it using the Velocity Network™ Distributed Ledger. |
| Credential Agent Operator (CAO) | Any organization operating and maintaining a Credential Agent. |
| Node Operator | Trusted organizations approved by the Foundation to operate and maintain a Velocity Blockchain Node. |
| Wallet Provider | Any organization offering Wallets to be used by Holders. Also known as Holder App Provider. |










Aligning Incentives, Redistributing Value

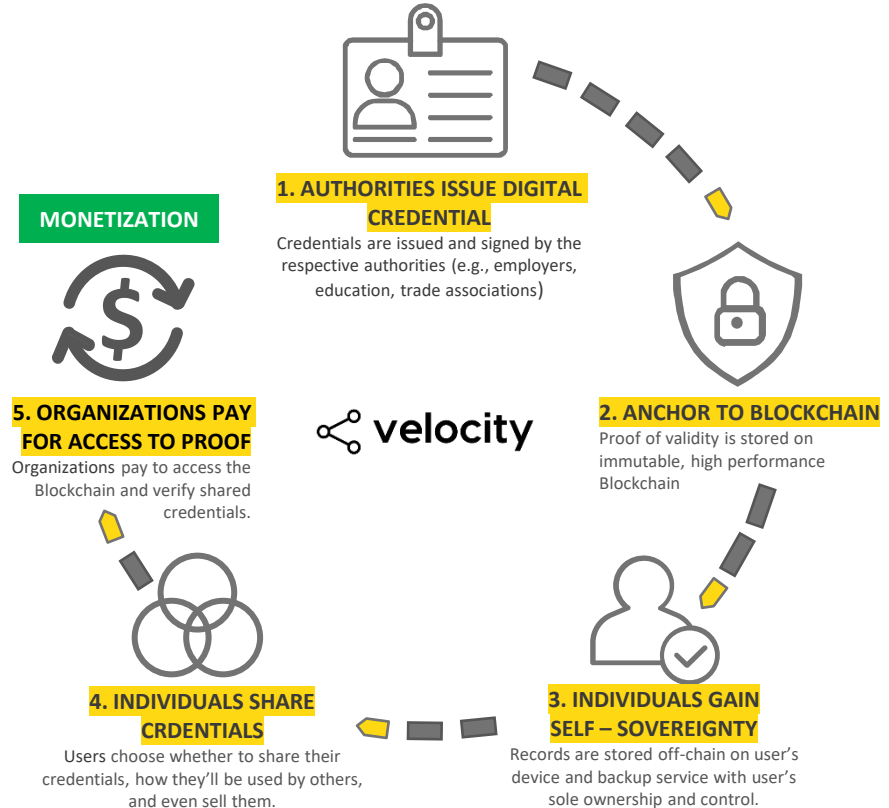
Incentivizing ecosystem participants

There are obvious incentives for organizations to pay for zero friction verification of candidate and employee credentials.

But what are the incentives for issuers their data processors or the organizations that run the distributed ledger (nodes)?

EXAMPLE USE CASES

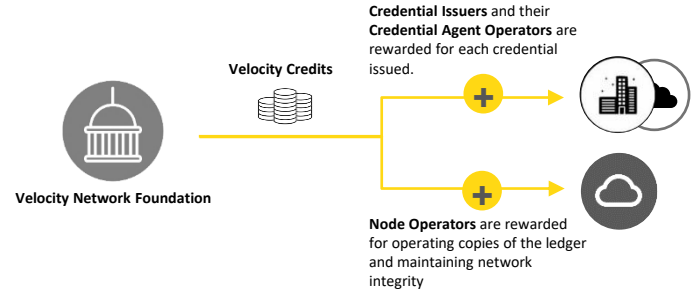
- | | | |
|---|---|--|
|  Hiring |  Education |  Credit scoring |
|  Career Mobility |  Learning |  Insurance |
|  Job Matching |  Payroll |  Compliance |



Contributors Earn. Relying Parties Pay.

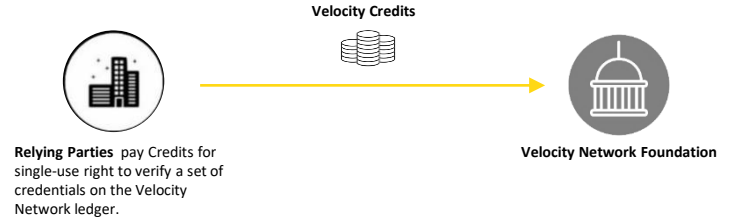
Issuers are rewarded by the Network’s Central Bank with **Velocity Credits** for their contribution to the network. Each organization has an account into which the rewards are sent to. The rules for each kind of reward are defined by the Foundation’s Board of Directors. Credits are non-transferrable and fungible.

Holders use their credential holder applications to share selected credentials with various **Relying Parties** (e.g., employers, businesses, educational institutions). This is a peer-to-peer transaction.



To verify the credentials shared by the individual, the **Relying Parties** will need to access the Velocity Network decentralized ledger to search for the validation keys that were written to the ledger by the **Credential Issuers**.

To do that, they must pay Credits to the Network’s Central Bank for access to the proofs stored on the decentralized ledger. A single ledger access allows verifying any set of Credentials shared by an Individual.



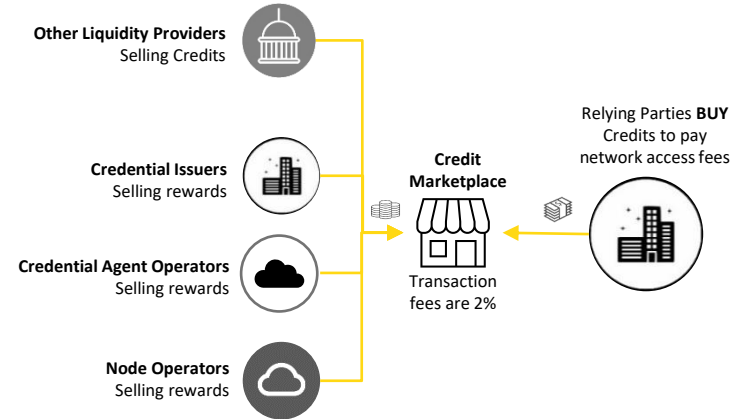
Relying Parties are the demand side for Velocity Credits

Relying Parties are the demand side for Velocity Credits. They purchase Credits on the Credit Marketplace.

Contributors sell earned Credits on the Credit Marketplace and redeem their reward.

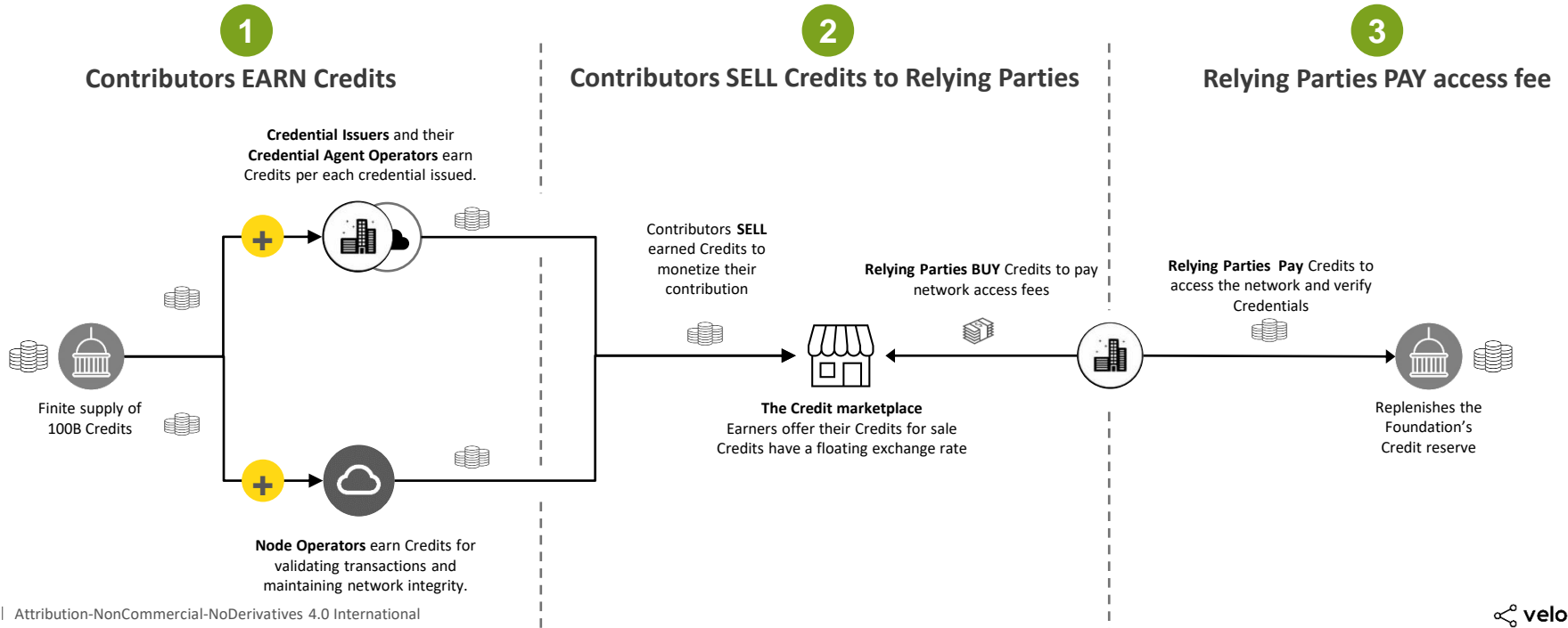
Credits have a floating exchange rate. All Sellers essentially quote their ask price. Verifiers buy from the seller asking the lowest price.

Naturally, as the demand for Credits appreciates so does their cost, and consequently the cost of Relying Parties' network access and the verification transaction.



Monetization and Payment Rails

A Comprehensive Look



Comments

FINITE SUPPLY AND FREE-FLOATING EXCHANGE RATE

The Foundation, in its capacity as the Network governor, launches the network with a finite supply of 100B Credits.

Sellers offer their Credits on the marketplace and quote the price they are willing to sell them.

PEGGED TO THE MARKET VALUE OF VERIFICATION TRANSACTIONS

Credits are the mechanism by which the Foundation lets the market set the cost of the verification transaction. Access fees are a fixed number of Credits. In other words, regardless of the Credit/USD exchange rate, Relaying Parties always pay the same number of Velocity Credits per each ledger access.

This makes the value of the Credit pegged to the value of the verification transaction. If the Credit price appreciates to a level that the cost of the transaction will not be reflecting its true value to the demand side, we will see the demand depreciates and consequently effects the demand for Credits at this price point, pushing the Credit price down.

AVOIDING SPECULATIVE TRADING

A limited-supply token becomes a de-facto store of value, but it also leads to speculation and volatility. To maintain ecosystem efficiencies, we need the Credit price to reflect the value of the services that can be acquired in exchange and avoid speculations:

- Purchased Credits must be immediately spent on buying Coupons for access to network services and may not be retained as store of value.
- The network is permissioned, and participants are all various stakeholders in the career credential exchange ecosystem. There are no participants external to the ecosystem that can trade speculatively and affect the Credit price.
- Credits are not transferable outside the network and the demand for Credits comes only from Verifiers looking to pay for network services.

The Credit Marketplace

Operated by 3rd Parties

The screenshot displays the user interface of the Credit Marketplace. At the top right, the user is identified as 'Default User' from the 'ACME Organization'. The main navigation bar includes 'VOUCHERS', 'REWARDS', 'STAKING', and 'SETTINGS'. A left sidebar lists navigation options: 'DASHBOARD', 'SELL CREDITS', 'ACCOUNT ACTIVITY', 'SELL ORDERS', 'ORDER BOOK', 'PAYOUTS', and 'WITHDRAW USD'. The main content area is divided into four sections:

- Your Credit Balance:** Shows a total balance of 125,000 Redeemable Credits with a current value of \$201.50. A 'PLACE SELL ORDER' button is visible.
- Credit Sell Orders:** A table listing recent sell orders with columns for Date, Credits Offered, Ask Price, Remaining Credits, Cash Received, and Status.
- Order book:** A table showing the current order book with columns for Date, Credits Offered, Ask Price, and Status.
- Credit Price:** Shows a current price of \$0.89 and a +4.0% appreciation rate, accompanied by a line chart of price fluctuations over time.

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Current Reward Parameters

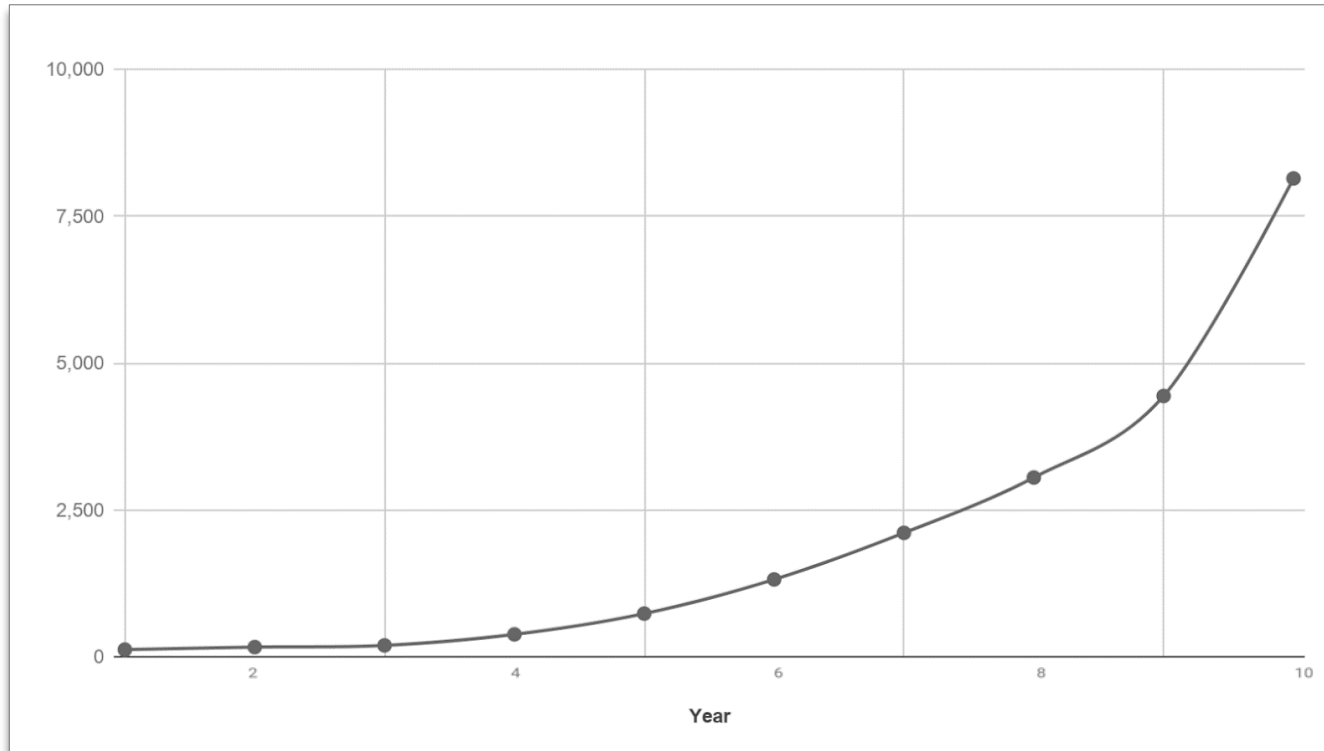
| ISSUE | FISCAL/MONETARY POLICY |
|--|---|
| Verification cost expressed in credits | 90 credits |
| Credential Issuer and Credential Agent Operator reward, divided between the two. | 9 credits per credential 0.75 credits per micro-credential |
| Node Operator annual reward pool | 1/12% of all credits in circulation, per month, divided between all active node operators during the month pro-rata to the number of their staking* |
| Minimum staking for Node Operators | 1,000 credits (to be purchased by the Node Operator in the onboarding process) |

- * Velocity Network™ uses a ‘Proof of Stake like’ consensus mechanism where node operators will be required to stake their Credits against their participation. Those Credits will be seized by the protocol as penalties in case of fraudulent behavior of the node operator.

Node Operator reward Credits would be divided between node operators, pro-rata to the number of Credits they are staking.

The Monetization Opportunity

Economic value generated by the Network (million USD)



The Monetization Opportunity

Projected fair token price based on demand assumptions



Early Adopter Incentivization

Year 1 (2022) rewards are multiplied by 2.25.
Early adopter multiplier decreases linearly to 1 by year 6.

The Monetization Opportunity

Substantial monetary reward for Node Operators

TIER 4 DATA CENTER EQUIVALENT | To assure performance, security, and reliability, operators will be required to deploy the node appliance in a tier 4 data center or equivalent and guarantee 99.99% uptime.

COST IS FAIRLY MARGINAL | For example, AWS monthly cost for similar computational power is 100-300\$.

GETTING CERTIFIED | Operators will be onboarded and guided by the Foundation's tech team. Going live with a Node will require performance tests and clearance from the tech team.

SUBSTANTIAL MONETARY REWARD | Node operators are heavily rewarded for the computational power they contribute and for validating transactions while maintaining complete integrity.

EARLY PARTICIPANT INCENTIVES | Under the rewards schedule adopted by the board, Year 1 (2022) rewards are multiplied by 2.25. Early adopter multiplier decreases linearly to 1 by year 6. **(2.25 Billion tokens in year 1 divided between Node Operators, to 1 Billion in year 6.)**

LESS MEANS MORE | During the first period, the number of Node Operators will be limited due to performance limits. This means that there are less operators to share the reward with.

The Monetization Opportunity

Issuers and Credential Agent Operators

BECOME AN ISSUER |

Employers, schools, license issuers, talent marketplaces, background screening vendors, and other organizations use Velocity Network™ to issue verifiable digital career and education credentials to their constituents, monetizing their contribution to the Network.

OPERATE A CREDENTIAL AGENT |

Connect your platform to Velocity Network™ to offer your customers and users seamless issuing and verification functionality, create corporate value through the monetization of your participation, build new business models, and enhance existing ones.

Compliance

Credits are not Cryptocurrency

Credits used to **PAY** for access to the blockchain and validate credentials and to **REWARD** network contributors.

NO ICO | Credits serve only as native currency to the network and will not be offered to or held by actors outside the network.

NON – CIRCULAR | Credits are not transferable outside the network.

FINITE SUPPLY | A finite number of Credits have been issued by the Foundation upon network genesis and moved to its reserve. Minting new Credits requires special board resolution.

NO SPECULATIVE TRADING | Participants cannot purchase Credits and hold them for speculative trading.

CONTROLLED TRANSFER | Credits can only be transferred between participants through the Credit Marketplaces, governed by the Foundation, tracked and logged. No air-dropping between participants.

KYC/AML | Network participants all go through KYC process when onboarding to the network.

Compliance

Financial Regulations Compliance

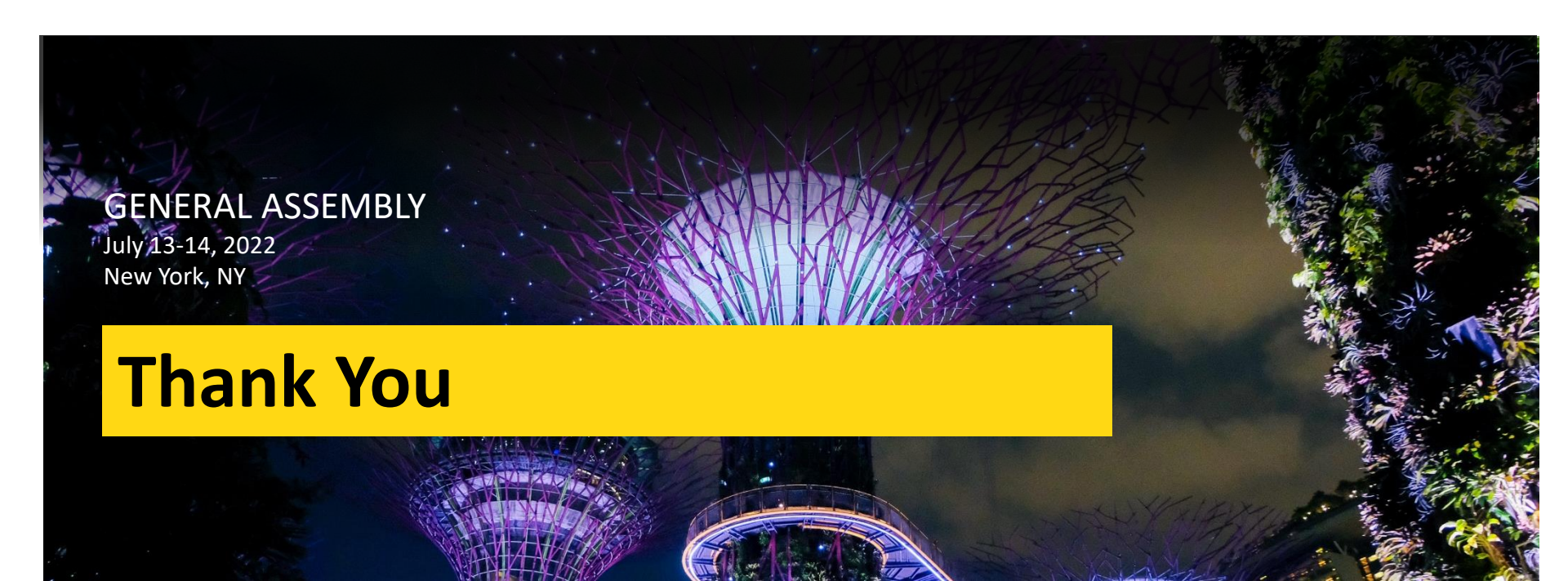
We work with leading legal advisors to achieve certainty and maintain full compliance to financial regulations in the major markets.

DLA Piper has been retained as legal counsel to the Foundation. A cross-jurisdiction team of senior partners from their offices in the USA, UK, France, Germany and General EU regulations, works closely with the Foundation's compliance committee and executive board.

The expert opinion of the team is that the proposed tokenomics rulebook would most appropriately lead to classification of the Credits as a utility token by the regulators in their respective markets and comply with regulatory guidelines for such tokens.

The Foundation plans to continuously engage with the different regulatory agencies, in the respective jurisdictions, to achieve certainty in this area.





GENERAL ASSEMBLY

July 13-14, 2022
New York, NY

Thank You

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