



WHITEPAPER

Special Drawing Rights Coin

www.sdrcoin.com

2021

Foreword

This whitepaper introduces our project to design and create the tokenised International Monetary Fund's Special Drawing Rights ('SDR'), which in itself is intended to be used as a global currency medium with independent valuation against 39 major national fiat currencies published daily by the International Monetary Fund as general market price guidance.

Before our readers begin on reading this whitepaper, we highly recommend some general guidance reading to understand what Special Drawing Rights is, and why the creation of our Special Drawing Rights Coin eco-system is a game changer.

Below links will help with your understanding.

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[Wikipedia \(English\)](#)

[Investopedia \(English\)](#)

[维基百科 \(中文\)](#)

[百度百科 \(中文\)](#)

[Wikipédia \(Français\)](#)

[Wikipedia \(Español\)](#)

[Википедию \(Русский\)](#)

Advantages of the Special Drawing Rights Coin

1. 2 decimal places as all major currencies.
2. fixed supply.
3. supporting children's charities.
4. no burning of SDRCs to another wallet whether they are celebrities or a so-called 'burn wallet'.
5. long freeze period for both charities and investors. (7 years freeze period for investors)
6. limited distribution during pre-ICO and ICO so no 'whale' users are created.

"The dollar system bestows on the United States what the French, in the days of President de Gaulle and his economic maestro Jacques Rueff, used to describe as the 'exorbitant privilege' of paying its debts in its own currency."

- John Williamson, 'Policy Brief' – Peterson Institute for International Economics PB09-11

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Introduction

SDR is a post-World War II idea created by the International Monetary Funds ('the IMF'). SDR is a concept that pre-dates our current financial world order. Much has been discussed and researched on the subject of SDR. This whitepaper will quickly revisit the concept of SDR in addition to academic research provided on sdrcoin.com as a prologue to Special Drawing Rights Coin's overarching goals.

Special Drawing Rights Coin ('SDRC') is created according to a predefined algorithm on blockchains, achieved through proven security and through time-tested blockchain technology. The design and implementation and distribution of SDRC is executed by Special Drawing Rights Limited in the City of London under the laws of England and Wales.

SDRC is not designed nor distributed by national governments or international organisations, but is created according to a set of time-tested blockchain smart contracts and the underlying cryptocurrency shall be distributed according to the decentralisation principles of Decentralised Ledger-based Technology (DLT).

There are myriads of cryptocurrencies relying on various blockchains, however we have yet to see a widely circulated cryptocurrency that followed both the principle of 1. decentralization, and 2. widespread ownership and circulation.

The most widely circulated currencies, whether fiat currencies or cryptocurrencies, have the character of being used and accepted by a broad spectrum of the populace. However, decentralized currency should not have a few parties holding the power to sway or disrupt or destabilise any given cryptocurrency eco-system.

Hence SDRC will focus on both faucets of cryptocurrency distribution: decentralisation and broader distribution. Indeed, SDRC will allow market force à la 'the invisible hand' to foster organic supply and demand, but at the same time it will circulate SDRC in limited quantities per wallet address in the hopes that transaction charges (e.g., gas fees), will create a barrier for the inception of 'whale' owners.

As our project aims to connect two distinct worlds of money — conventional and emerging — many readers may not be familiar with both. Appending to this introduction, we have prepared this whitepaper to explain Special Drawing Rights Coin as well as an explanation of the history and functionality of this game-changing eco-system, which some readers may find helpful.

01

DECENTRALISED AND DISTRIBUTED

Cryptocurrencies can only achieve legal tender status if both the currency and its eco-system are decentralised and broadly distributed.

Policy Direction

“Under a dollar-centered system, increases in reserve supply come from an increase in the gross debt of the United States.”

– John Williamson, ‘Policy Brief’ – Peterson Institute for International Economics PB09-11

A Fair Currency for All

20 years ago, George Soros envisioned that the Special Drawing Rights should become a general-purposes currency. How to achieve that without interference from rich and powerful countries were not discussed as politics will no doubt be a swaying factor in introducing an international overarching currency.

Indeed, fast forward 20 years, many barriers have crumbled before our eyes. Commerce, mobility, and every industry we can think of have become less and less restricted by more and more disruption from newcomers. The internet revolution has given birth to communities focused on common beliefs and goals rather than shared geo-locations. A multicultural world has begun to take shape.

Today, value can move across boundaries as quickly as information and ideas do now. Surprisingly, in most circumstances, proof of value still relies on a series of banking systems built upon the structures of yester-years. When value gets traded, we continue to use only currencies tailored for national (or regional) economies.

Such scheme works well for economic development within national borders, but it is less suitable for cross-border economies. It is inconvenient to have to trade in several currencies in order to compete in the world economy. Much less so if the speed of funds clearing is subject to a sluggish clearing-house system despite most of the trades are in relatively small sums and are considered perfectly legitimate.

There is a need for a new option; capital can encourage and streamline economic growth, not impede it; at the same time capital needs to have a medium where it can rest safely and awaits its next project or investment moment. Money has always grown to accommodate the expanding scope of economic activity. As in the past, the growth of commerce, demand, and investment necessitates a corresponding increase in the amount of capital.

International Monetary Fund's Perspective

"[H]ow will [cryptocurrencies] change central banking over the next generation? That is the focus of my remarks today. . . . [C]itizens may one day prefer virtual currencies, since they potentially offer the same cost and convenience as cash -- no settlement risks, no clearing delays, no central registration, no intermediary to check accounts and identities."

– Christine Lagarde, Managing Director of the IMF, September 2017

Standardised Value Reservoir

National currencies are first and foremost intended to adhere to the requirements that exist within the limits of their issuance. Local developments, such as economic policies or the state of the local economy, influence monetary policy. These considerations are not always applicable or consistent with a wider global concern when trading value globally.

A common currency must actively represent and sustain the global economy without being influenced by tangential factors. In terms of risk diversification, it will also supplement the global supply of currencies and serve as a resting point when capital requires borderless rest at which time regional currencies can be commanded with resting capital as security or even basic collateral.

Such a medium currency would be less vulnerable to the whims of any single economy, or to the capabilities and desires of any government, if it were not tied to any specific nation or territory.

Until recently, the only alternatives to state-issued currencies were private-sector currencies. Many such cases have occurred throughout history, but they have typically collapsed due to a lack of prestige, inadequate recognition, and inadequate confidence in the issuer. Today, technological advancements allow a third option: money that is issued algorithmically rather than the less transparent paths of national or private

Commentary on Volatility

“One day of cryptocurrency trading = one year of stock market trading.”

– Anonymous trader’s comment on cryptocurrency volatility, May 2021

Currency Distribution via Blockchain

Without a Decentralised Ledger-based Technology (DLT) vis-à-vis blockchain, Soros’ idea to manage a general purpose SDR currency would be some what ‘old-fashioned’. At the time, he proposed in placing ‘SDRs to a trust fund managed by a board or jury of “eminent persons” (not state representatives)¹ Little did Soros know, his board of “eminent persons” can only be achieved through a set of decentralised algorithms via a digital currency system.

The idea of “digital money” is not new but early attempts failed because they could not solve the double spending problem. Building cryptographic-economic principles on a peer-to-peer (P2P) network (i) allows everyone to participate pseudo-anonymously, (ii) has a market-driven value, (iii) has low transaction fees that are determined by competition, (iv) allows fast settlement with no intermediaries, and (v) requires no central authority with jurisdiction over its operation. As users only need a smartphone to transact...it is not surprising that it has been rapidly embraced in developing economies that lack legacy telecommunication or proper financial infrastructure. ²

As previously discussed, we believe there is a need for an independent, non-national currency that relies on minimal telecommunication technology or financial infrastructure: one that promotes the global economy and serves as a store of value that is not tied to any single country or territory, yet still retrains an indirect connection to these fiat currencies.

In principle, a currency issued by an appropriate and reliable global authority might meet the need; however, this does not seem to be a practical prospect at the moment. During the Covid-19 Pandemic, central banks’ quantitative-easing, or more accurately, money-printing, effectively erased the worth of many people’s savings. In the absence of appropriate centralised alternatives, blockchain technology allows for the development of a currency without the need for issuance by a national or private body. Money should instead be issued based on predefined rules and algorithms. Implementing such algorithms on a blockchain provides built-in transparency and reliability: currency investors may be certain that the critical functions that govern money supply are carried out as intended.

1 Robert Hunder Wade, ‘On Soros: Are Special Drawing Rights the Deus ex Machina of the World Economy?’ (2002) Challenge, vol.45, no.5, September/October 2002, pp113

2 Andreas Veneris and Andreas Park, ‘Special Drawing Rights in a New Decentralized Century’ (2019) Georgetown University-International Monetary Fund Research and Policy Conference on Cryptoassets.

Our Thoughts

We believe a modern currency, in our opinion, must harness the wisdom and successes of the past; a complete copy or a complete detachment are simply too extreme. A modern currency must possess a transparent and mathematically sound frameworks to help it function as a sustainable means of trade and capital medium. It requires a monetary model to underpin its value, a realistic governing structure for decentralised administration, and the ability to be implemented and embraced by the broader public. *resci ine fuerrat.*

Discovering a Responsible Currency

The proliferation of blockchain technologies has resulted in an increase of decentralised cryptocurrencies, some of which tend to function as global currencies. A decade after the advent of blockchain and cryptocurrency, we have yet to find one coin/token that effectively fills all of the roles of fiat currencies. Whilst Bitcoin was the first notable effort to create a decentralised and transparent currency. Indeed, the concept was nothing short of revolutionary, however, rather than implementing or enhancing core characteristics of effective currencies, the Bitcoin model has abandoned them. Today, we have identified three critical foundations of long-term currencies that Bitcoin does not possess:

Reliable Value

Bitcoin's uncertainty and extreme volatility is unconstrained in the lack of a monetary paradigm. As a result of the resultant volatility, it has been unable to function as a means of trade, even though its market capitalisation has been high and many market-makers have created financial instruments to capitalize on the trading of the cryptocurrency itself, rather than using it as a reliable means of collateral or security.

Efficient Governance

Bitcoin's governance process is crude and inefficient, requiring all parties to consent on all minor adjustments when a substantial portion of all bitcoins belong to several 'whale' holders. We have witnessed many instances where demanding consensus has resulted in poor reaction times, expensive transaction costs and network forks.

Public Acceptance

Bitcoin's anarchistic approach, as well as its poor capacity to interface with the current financial sector and lack of regulatory enforcement, precludes mainstream acceptance. Its complete detachment from the current financial systems makes its concept much less appealing and much more difficult to integrate into ordinary people's lives.

02

SPECIAL DRAWING RIGHTS COIN

A Global Risk-Averse Currency

SDRC is meant to supplement existing currencies rather than replacing them. The growing reach of global commerce, trade, demand, and investment necessitates the creation of a global means of exchange, which SDRC aims to provide. SDRC is a convenient mechanism for trading value globally that does not require the use of various currencies.

SDRC is not affiliated with any specific region or jurisdiction. As a consequence, it is not explicitly exposed to any location's or government's concerns, desires, or circumstances. It seeks to provide everyone in the world, regardless of their condition or circumstance, with facilities associated with safe storage of value. Moreover, the need for a common currency should not negate the need for national currencies; these are both the best option for both intra- and international use.

Reduced Volatility

A currency must have a system in place to guarantee that its purchasing power does not fluctuate substantially from day to day; otherwise, it can never be used as a means of payment. It does not have to have a fully fixed exchange rate with any other developed fiat currencies or basket of commodities, but its value should not be wholly unpredictable.

SDRC is blessed with a monetary model that is intended to sustain the economy's development from its early phases, where it requires the most assistance, before it matures into a fully-fledged, autonomous currency. This model's defining aspect is a blockchain-based liquidity provider: a smart contract that promises to distribute SDRC at small quantities to each wallet address. During each distribution, the transfer of a small quantities of SDRC will have transaction costs (a.k.a. gas fees) with which the value of the SDRC is imbued.

The goal is to reduce the rise of 'whale' holders while also allowing market factors to decide SDRC's natural and organic worth, as close and as stable to the Special Drawing Rights' guidance pricing published by the IMF.

The monetary model of SDR is discussed further in this whitepaper.

"Blockchain... enables for disintermediation of services and decentralisation... By doing so, processes can become transparent, verifiable, tamper-proof, and immutable. They have the capacity to provide an unchangeable history, or log, of all actions that have taken place which could be traced back to specific stakeholders. It can be said that such features allow for the implementation of use-cases that strive towards the common good such as financial inclusion, ethical supply chains, and community empowerment...

– Ellul, J., Blockchain, Decentralisation and the Public Interest: The need for a Decentralisation Conceptual Framework for dApps. 2021

Automated Governance Codes

Making decisions in reaction to shifting realities is one of the key responsibilities of currency governors. Any of these responses are described in advance by the SDRC monetary model, which is largely predefined and algorithmic. The SDRC blockchain smart contract specifies not how the price of SDRC will vary in response to changes in supply as if it is a traditional central bank holding a set of parameters to act upon; instead, SDRC will accommodate these responses pre-emptily through a well-designed distribution protocol which in turn we feel is superior to responses based solely on discretion or automated parameters.

Users within a code-executed arrangement know ahead of time what the code can do in various situations but it does nothing to the substance of value that is relative stability. Users should have independent yet automated pricing guidance against which true value can be gauged. The relatively simple monetary model of SDRC is open to the public: holders understand precisely how the bid and ask values of SDRC's smart contract are determined. Blockchain technology enables the implementation of algorithmic governance in a safe, transparent manner but most importantly it is widely distributed in nominal quantities thus the chance of having 'whale' holders playing a game of 'racket' diminishes.

Furthermore, we run code-based components of our model on the blockchain rather than on private servers, ensuring that the inner workings are fully open and that users can be certain that what is promised is actually executed.

Allegiance to Eco-System

Despite significant advantages, code cannot fulfil any of the functions of currency governance. It is incapable of managing SDRC stocks or dealing with legal problems. Furthermore, it is difficult to write code that anticipates and plans for any conceivable scenario. At the end of the day, human judgment alongside an independent guidance valuation is still encouraged and expected. Still, to ensure that the issues such as prejudice, self-interest, and a lack of experience are mitigated for, greater caution must be taken.

Again, in terms of one of the most important functions of currency governance that is issuance, SDRC already represents a new standard: value that is not distributed to a few users, but rather based on opportunity cost of holding the initial nominal quantities of SDRC. We consider SDRC holders to be the currency's masters, so they can rule it through democratic votes but while at the same time condition their votes on an educated and informed decision. SDRC plans to adopt a governance model that balances raw democracy versus informed decision making, as outlined later in this whitepaper: one that allows holders to wield authority while still promoting expertise-based governance.

Legal, Ethics and Regulatory Compliance

SDRC operates in compliance with the applicable regulatory guidelines to meet and respond to regulators' concerns. Anyone who buys or sells SDRC to or from SDRC's smart contract must first go through Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures through our payment processor if the impugned transfers are over a threshold; in most circumstances, the bar of anonymity is the equivalent of 500 US Dollars per week. In some instances, buyer/seller will have to work directly with our legal team. This means that SDRC's smart contract conducts legal financial transactions that can be incorporated and integrated into the current financial system with clarity. We conclude that adhering to conventional legal and monetary systems is critical for SDRC to achieve mainstream legitimacy and, as a result, wider user adoption.

03

SPECIAL DRAWING RIGHTS LTD

Special Drawing Rights Limited

Special Drawing Rights Limited ('SDR Limited') of the City of London in the United Kingdom invented and created the SDRC currency. The aim of SDR Limited is to issue and preserve the functionality and utility of the SDRC eco-system in a way that best serves the future Tier-2 and Tier-3 currency holders' interests.

The United Kingdom is an ideal location for SDRC operations. We see the U.K. as a credible jurisdiction with a knowledgeable regulatory governing system and a forward-thinking financial climate which will enable SDRC to grow and gain broader reputation in terms of stability and viability for broader user adoption.

SDRC's Procurement Restrictions

The method of planning and improving SDRC necessitated the expenditure of funds. We felt that the mechanism should represent the ideals and beliefs that we want to foster. We did not want to begin SDRC with public speculation through an ICO as a project that values transparency, organic growth and low volatility.

As a result, for early entrants procuring the SDRC, we agreed to target only pre-screened persons and entities through a pre-ICO with regional limitations; additionally, a limited quantity procurement phase in the subsequent ICO stage will allow us to only utilise the necessary funds to research financial integration, AML/KYC (Anti-Money Laundering, and Know-Your-Client) legal compliance, technical management and future SDRC upgrades, and philanthropy.

Supporting Cultures

Any SDRC owned by SDR Limited will be put into a Charitable Trust for the assistance of children in need world-wide and to provide educational scholarships for children from outside the MENA region to learn Arabic in order to promote cultural exchange and language barrier reduction.

Any fiat income from Tier-1 SDRC will be used to research fiat-currency to crypto-currency financial integration, cryptocurrency regulatory compliance, charitable work and liquidity reservoir creation when we are ready to migrate from Tier-1 to Tier-2 SDRC.

04

THE SDRC MODEL

The SDRC Model

The aim of the SDRC monetary model is for SDRC to become a fully-fledged, stand-alone currency ecosystem. To accomplish this, the value of SDRC must be sufficiently stable yet refrain from becoming a stable-coin since it is incomprehensible to consider SDRC as a form of legal tender if its value fluctuates excessively.

However, there is an intrinsic conflict between this objective and another feature of currency: storage of value. A reasonable store of money, in general, has the potential to appreciate. It is therefore appropriate for the value of a currency to fluctuate in order to demonstrate its power and usefulness. The monetary model of the SDRC attempts to strike a balance between these opposing elements of stabilisation and expansion.

The goal is not to lock or peg (soft or hard peg) the value of SDRC, but rather to moderate price volatility so that they react to economic forces rather than market speculation. It would take time for the SDRC eco-system to achieve general acceptance and we believe legal tender status will become achievable during Tier-2 and Tier-3 re-denomination stages whilst Tier-1 will be utility and research based. This is because in order to finance the currency ecosystem, pre-ICO and ICO owners are encouraged to not exchange these for fiat currency on secondary markets but should wait until Tier-2 SDRC as a legal tender with United Kingdom's Financial Conduct Authority's granting of registration. During this wait period all SDRCs are backed by a reserve held in widely accepted fiat currencies.

Operational Transparency

Unlike a majority of cryptocurrencies, SDRC proactively shows how its supplies are distributed. We believe SDRC's legitimacy can be achieved only if the supplies are distributed transparently and in small quantities to individuals or corporates worldwide.

We believe organic growth is what propelled Bitcoin to where it is now and we are also weary of the true status of the wallets holding the Bitcoins that were supposed to have been lost forever. Indeed, several new cryptocurrencies in recent years have opted for grandiose marketing promises and using artificially reduced supply of cryptocurrency as a signal of rarity.

Shortly after these cryptocurrencies were deployed, a significant proportion of their supply were 'burned' to wallets. The term 'burned' means wallets keys are intentionally forgotten/thrown away hence the supply transferred to those wallets are forever thrown away prima facie.

At SDRC we felt that to intentionally throwing away to artificially increase the rarity of the supply is unreliable as such actions are truly verifiable: How can users be sure that the status of those wallets holding 'burned' cryptocurrencies are truly a wallet without access? In short, we don't do it.

ETH Network

The SDRC Model will be centred around our SDR Coins ('SDRC').¹ These SDRCs will operate as regular tokenised SDRs, in compliance with the ERC20 token standard used on the Ethereum (ETH) blockchain, and backed by ratio-ed reserves of fiat currencies. Additionally, SDRC's underlying smart contract will include additional logic that gives users the option to buy and sell them directly through the SDRC smart contracts at prices that programmatically adjust to reflect supply and demand.

Effectively, SDRCs come with a built-in liquidity mechanism that ensures they are continuously convertible for other tokens. To achieve this, each SDRC is configured with connector modules, which hold a balance of another token to which it is connected. Buyers can use any of the connected tokens to purchase a SDRC by sending them to SDRC's Smart Contract, which then adds them to its connector balance and in return issues new SDRC, which are automatically sent back to the buyer. In other words, anyone can always purchase an SDRC by depositing some amount of its connected token into its smart contract. In this case, both the connector balance of the SDRC has increased, as has the SDRC's supply, since new units from existing pool were issued.

Similarly, a seller may send back any amount of SDRC to its contract for fiat currencies, which will then see the removal of these SDRCs from circulation and withdraw a corresponding amount of fiat currencies from our ratio-ed reserves and send them to the seller. In this case, both the ratio-ed reserves and the SDRC's supply have decreased. In order to know what amount to issue to a buyer or withdraw for a seller, an SDRC continuously recalculates its price, in relation to the supply of and demand for the SDRC.

As mentioned above, the SDRC Model (elaborated below) does so by maintaining a reserve ratio between the value of the SDRC and the value of buyer's fiat balance(s). The adaptive reserve fiat supply of a SDRC is a unique and enabling feature which allows for supply to adjust to demand (without dilution to unit price) and for SDRC to be continuously available for purchase at smaller quantities through SDRC's decentralised distribution goals.

We believe in ETH's simplicity and security. ETH platform is already safe and reliable, and it enables SDRC to remain decentralised and widens our vision of nominal quantity for wider distribution. Users are able to keep their own tokens in the same wallet that they are already using to receive SDRC and other token payments worldwide.

The ETH network is the world's first decentralized Turing Machine, a "social operating system" that guarantees trust in software execution in terms of smart contracts through P2P consensus. Such contracts enable commerce, trading of financial securities, automated supply-chain management, enforcement/transfer of digital rights, and transparent trade-offs between privacy and security. Application sandboxes are already found in Ukraine, which examines to use Ethereum to conduct an election, Estonia, which develops a DLT-based e-residency to register out-of-country investments and Dubai's SmartCity, which awarded a blockchain contract to connect government and citizens.²

1 SDRC here specifically denotes Tier-2 and Tier-3 SDRCs. Tier-1 utility SDRC holders are automatically invited to swap without cost to Tier-2 and/or Tier-3 e-money cryptocurrency before/during and anytime after their respective launch.

2 Andreas Veneris and Andreas Park, 'Special Drawing Rights in a New Decentralized Century' (2019) Georgetown University-International Monetary Fund Research and Policy Conference on Cryptoassets.

Reserve Ratio

When the price of SDRC increases, all SDRCs are exchanged at the new value, even though certain SDRCs were initially issued at a lower price. As a result, the SDRC pool — the total net proceeds of SDRC issuance — holds less money than the SDRC market capitalisation — the total amount of all SDRCs in circulation.

The reserve ratio is the percentage of SDRC market valuation that is backed by SDRC deposits. It reflects the market's trust in the SDRC currency, irrespective of the backing reserve.

For instance, when users purchase SDRC despite the fact that the SDRC reserve only holds 80% of the market value of SDRC, it is because SDRC is considered as having intrinsic value.

If the market trades SDRC while the reserve ratio is smaller — e.g., 50% — confidence in SDRC is therefore higher, and consequently the initial offering valuation floor will have been exceeded; independent guidance valuation ceiling will also be closer as a result. In the 50% reserve example, SDRC's intrinsic value — its utility as a currency, prestige, and recognition — accounts for half of its current value.

The reserve ratio also reflects the degree to which the SDRC smart contract will influence the price of the SDRC. When the reserve level is high, the liquidity-provision feature of SDRC has a strong ability to dampen market volatility. When the reserve level is lower, the SDRC's worth is extracted from and therefore open to investor trust to a larger extent; the reserve plays a smaller part in stabilizing price fluctuations.

The SDRC reserve is still designed to be liquid, even though the reserve level is less than 100 percent. If a user purchases an SDRC from the smart contract, fiat-currency from the pool that was invested when the last SDRC was given is deducted to refund the purchaser. When more SDRCs are sold back, the bid price of SDRC's smart contract falls in the same way that it initially rose as the SDRC eco-system expanded.

Interest and Price Adjustment

The SDRC reserve will not earn interest as it is placed under a trust.

Floating Reserve

The monetary model of the SDRC is based on a floating reserve ratio. During the pre-IPO stage, 100% of all fiat currency input made by external pre-IPO participants will be reserved. At this stage, the reserve backing is assigned maximum weight. The SDRC's market value's floor value is now set and does not and cannot adjust lower in response to shifts in investor trust.

The reserve ratio is increasingly reduced as more SDRCs are released at the IPO and pre-exchange listing stage, reflecting the rise in SDRC consumer confidence. When the SDRC market capitalisation is past 9 billion SDRC, the reserve ratio gradually decreases until it approaches a minimum of 21%.

Finally, if the SDRC market cap hits first-rank popularity, benchmarking SDRC valuation against the reserve would no longer make sense. SDRC will be secured as a standalone currency by a new permanent scheme, which will be contemplated as market sees fit. Still, we encourage the market to react as reasonable as the guidance ceiling set by the IMF's daily valuation.

In this regard, our model resembles the evolution of other currencies: from entirely backed by tangible assets (e.g., gold standard) to floating reserves to purely backed by the market's expectations with independent guidance.

Price Band

In secondary markets, SDRC valuation is free to fluctuate within the band created by our model's bid and ask rates. However, it should be reiterated that if SDRC valuations on secondary markets overrun the IMF's independent guidance valuation, then SDRC is at risk of a market speculative bubble and hence any further investment or value entrenchment should be approached with extraordinary caution.

Although the SDRC market remains resistant to volatility, a narrow price band will likely be encouraged; the contract itself will not govern SDRC's valuation but will always place IMF's guidance valuation as a key tracker against SDRC's value. As the SDRC's eco-system strengthens, the price band will and should widen, allowing a decentralised and 'whale-free' market to play a larger part in determining SDRC market utility and worth.

The bid/ask spread income is not paid into the SDRC reserve but is intended as an incentive for users to hold and maintain the eco-system's long-term stability. However, in the event that volatility activates the SDRC's floating reserve liquidity feature, the reserve funds are channelled into the market to redeem excessive SDRCs at floor valuation, essentially compensating and safeguarding long-term SDRC investors for the volatility.

05

POLICY

Cryptocurrency is like gold (the perfect currency except for its weight (Tseng, 2010)) but weightless. That presents public policy and private profit challenges. For cryptocurrency, this means national and international public policy and legal entities should surveil, collaborate, protectorate and react to the potential loss of control implicit in a global, universal, single fungible digital asset (Lo & Wang, 2014). In the case of cryptocurrency, like many technologic paradigm shifts in the past, the public sector challenges are complicated by incumbent systems and institutions which will resist innovation and through which public sector organizations must further metamorphose. Notably this includes tax and fee regulatory structure on which governments depend.

- Joseph B. Walton, 'Cryptocurrency Public Policy Analysis' (2014)
Virginia Commonwealth University

SDRC's Decentralised Policy

Currency is a representation of a decision — an agreement recognising a certain kind of value medium as payment. A currency, like any other arrangement, necessitates the implementation, maintenance, security, and, on occasion, adaptation of an authority.

The responsibilities of currency governors are divided into two categories:

1. The introduction and upkeep of current currency protocols;
2. Adapting protocols as needed to react to emerging realities.

This section describes SDRC's solution to these two subjects.

After the implementation of blockchain more than ten years ago, there has been much discussion about the benefits of decentralised governance over centralised methods: whether to distribute power among all participants of a project or to concentrate it on a smaller number of individuals.

The general solution of SDRC is to seek a satisfactory middle ground that strikes a balance between the impartiality and openness offered by decentralisation

"Great societal unrest – fuelled by the declining influence of corrupt and powerful institutions – can lead a disheartened and disillusioned people to look to a new monetary system based strictly on objective principles and removed from corruption and the whims of man. Today, this new monetary system might be a decentralized cryptocurrency, based on blockchain technology."

–TeddyWayne, 'Grandpa Had a Pension, This Generation Has Cryptocurrency', Article by New York Times, 3 August 2017

Updating the SDRC Protocol

In a continuously changing world, the SDRC cryptocurrency cannot rely on a static paradigm. The coding components of our model are blind to innovations and upgrades, and must be altered from time to time. Algorithms cannot modify them, for example, to conform with existing legal standards.

The SDRC currency must have a decision-making process to efficiently stay up with the times. Hence, the blockchain is once again the really decentralised answer. The inner workings of a blockchain contract cannot be altered. The only way to do this is to establish a new network with upgrades.

In the event that SDRC becomes overvalued, we will create an 'umbrella' coin to expand SDRC's liquidity. In other words, a separate cryptocurrency will serve as an expanded value reservoir with the aim to denominate SDRC via a different pool. These are called Tier-2/3 or even Tier 4 SDRCs with pegged inter-swapping rates. (e.g. 100 Tier-1 SDRC = 1 Tier-2 SDRC)

Such decision to create a fresh yet relatable cryptocurrency will be more effective rather than delegating decision-making to a centralised authority. However, centralised decision-making frequently creates the main agent dilemma: how can the priorities of the members really be matched to the ones they represent?

SDRC contends that there is a suitable centrepiece: a solution to relieve the agency's issues without excluding the agency altogether.

An Interim Policy

In both managing and altering the SDRC model, SDRC's presence is required. Since SDRC holders are the actual currency-master, their appointments should preferably include the board of directors of the SDRC. We seek to establish an adequate delegate governance framework for SDRCs that acknowledges the right of owners to take decisions while also guaranteeing dependability and competence.

Besides SDRC, we have created a research institution to investigate and develop an appropriate organisational structure for SDRC. This system is outlined in a separate document called the SDRC governance model which provides information on and composition of the proposed regulatory bodies and provisions for ensuring that governors are genuinely in the interests of holding owners: premiums structures, controls and balances and a high level of transparency for holders.

As a sensitive process requiring both maximum experiences and strong assistance, the construction of a new governance structure will not all form the proposed governance system. Instead, it is a series of intermediary steps. During the interim period, a provisional constitution establishes the core concepts, rules, and norms that underlie the SDRC operations.

An intermediate director's board was first set up to supervise the SDRC's performance and make decisions that comply with its fiduciary responsibility. Under no circumstances can the intermediate board of directors make adjustments to SDRC's monetary model.

The monetary model for SDRs is currently adequately prepared and optimised to address a range of probable occurrences in the future.

For example, at each point of production of SDRC the model provides the trust reserve ratio and SDRC pricing.

This removes the risk of unforeseen occurrences requiring adjustments to our model.

Within our commitment to a more democratic governance system, currency holders can end the middle management board and elect a new board of management one year from the full start of the SDRC currency. This is the first phase in the progressive creation of SDR's long-term governance model, as defined in the governance model document.

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INTERGRATION WITH CONVENTION

When we consider and reflect upon Nature at large, or the history of mankind, or our own intellectual activity, at first we see the picture of an endless entanglement of relations and reactions, permutations and combinations, in which nothing remains what, where, and as it was, but everything moves, changes, comes into being and passes away

- Friedrich Engels, 'Socialism: Utopian and Scientific' (1892) Ch.2 -
The Science of Dialectics

Chapter Foreword

It must be noted that the most important factor affecting any currency is the adoption of it rather than what the currency is backed by, gold or otherwise. World economic blossoming [during] the second half of the 20th century is in many respects connected with refusal of the gold standard and creation of a system of fiat currencies which kind of are provided with nothing, except monetary policy.¹ Currencies, fiat or crypto, is not imbued with monetary value until users can own and adopt it with other participants of economies, regardless of how powerful the currency or government systems are, in exchange for commodities or services. Acceptance is therefore crucial.

But, particularly with regard to something as essential as currency, it is impossible to contemplate the novelty of it. Confidence needs to be gained and patience is needed. The interests of the present establishment should be taken into account in order to have any possibility of success. In our perspective, new money will eventually collapse, and not work along with existing institutions. In addition, several components of the present design are troublesome and may require maintenance. We have included this technique in economic terms into our monetary model.

The SDRC currency is not intended from the beginning to rely on customer trust. Rather, it takes legitimate measures from current currencies that make up the reserve of the SDR and earns its own independent value. One of the primary analyst issues regarding new digital currencies is resolved by our volatility-taking system, financial stability. In this section, we are taking efforts to resolve public officials and financial regulators' concerns. In order to achieve universal acceptance as protection of public acceptability, fulfilment of regulatory standards is necessary.

¹ S. P. Bornikov, 'The State Sovereignty in Questions of Issue of Cryptocurrency' (2020) Digital Age: Chances, Challenges and Future, pp564

The sum total of money in the world is about \$60 trillion [as of 2011], yet the sum total of coins and banknotes is less than \$6 trillion. More than 90 per cent of all money - more than \$50 trillion appearing in our accounts - exists only on computer servers.

- Yuval Noah Harari, 'Sapiens - A Brief History of Humankind' (2011) Ch.14 - The Discovery of Ignorance pp294

In its simplest form, decentralized finance is a system by which financial products become available on a public decentralized blockchain network, making them open to anyone to use, rather than going through middlemen like banks or brokerages. Unlike a bank or brokerage account, a government-issued ID, Social Security number, or proof of address are not necessary to use DeFi. More specifically, DeFi refers to a system by which software written on blockchains makes it possible for buyers, sellers, lenders, and borrowers to interact peer to peer or with a strictly software-based middleman rather than a company or institution facilitating a transaction.

-Decentralized Finance (DeFi) Definition by Investopedia.com

Identity is Accountability

In the economic context, SDRC is non-sovereign; we think there is an advantage to a currency whose value and governance are independent of any country and decentralised from any large non-charitable holders.

Many in the digital currency world associate economic non-sovereignty with legal non-sovereignty: they prefer currencies that are not bound by national rules.

This is not our point of view.

SDRC advocates a different banking structure, not a different legal system. We make no claim to be able to arbitrate between SDRC participants or to determine or execute acceptable SDRC use. Traditional regulatory mechanisms will dictate how SDRC blends with the current legal and financial system.

As a result, SDRC would provide regulators with the tools they need to enact their rules. Until now, the biggest concern of regulators has been the anonymity of digital currency holders and hence Anti-Money Laundering procedures.

Identification of consumers is important for maintaining transparency, so it is not surprising that regulators have so far ignored new currencies that do not offer a way to prevent money laundering, tax evasion, or general law-breaking.

To address this question, the SDRC currency includes identification through our payment processing partner, Wyre. To buy or sell SDRC to or from the smart contract, an individual must first complete the SDRC Know Your Customer (KYC) and Anti-Money Laundering (AML)

Anonymity

Although the right to classify participants is critical, privacy must remain a top priority and must be rigorously secured. SDRC never store users' identity but relying on the payment processor as a one-stop disclosure exercise at the same time SDRC is purchased or sold. In any event, identity disclosure is limited to the intent of complying with relevant laws and SDRC will never see more than the user's email address for transaction purposes. processes if nominal purchasing levels are breached.

Applied Integration

While other remedies may see KYC and AML procedures as a cost to be paid for acceptability, we see it as a justified and appropriate step toward retaining responsible oversight by regulators to tackle unethical conducts.

We understand these regulatory hurdles of KYC and AML procedures is an obstacle for serious users, therefore SDRC has worked with our sole payment processor at Wyre in providing minimal regulatory compliance procedures for medium level purchases and sales; For purchases above USD 10,000.00, KYC and AML compliance must be fully met. Any purchases above USD 50,000.00 will be contacted directly by our legal team for ad hoc compliance procedures.

For avoidance of doubt, transferring current SDRC in the secondary market would not necessitate any extra procedures, as is the case for emerging fiat currencies. In practice, Tier-1 SDRC is considered as an utility coin and aims to comply with all rules and legal standards under relevant regulatory frameworks.

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CONCLUSION, VISION AND LEGAL DISCLAIMER

Until the Scientific Revolution most human cultures did not believe in progress. They thought the golden age was in the past, and that the world was stagnant, if not deteriorating.

- Yuval Noah Harari, 'Sapiens - A Brief History of Humankind' (2011) Ch.14 - The Discovery of Ignorance pp294

Conclusion

Rapid advancements in technology, culture, and the economy have largely bypassed fiat currencies, which has remained mostly stagnant for decades – even when paper bills and metal coins are replaced by electronic payments, the underlying definition of money has barely advanced. The diminishing value of national borders, societal developments, and the need for monetary diversification have necessitated the development of a complementary, foreign, non-sovereign currency. Technological advancements have made this possible.

SDRC stands for the requisite yet cautious evolution of money by incorporating a rules-based, open monetary model with good governance and regulatory approval. SDRC reflects continuing change by building on the past and respecting the present.

Indeed, it is difficult to overcome supernational monopolies of major currencies, hence many of us are forced to stake a portion of our personal fortunes on the fate of a single government or group of nations. Whilst some readers here have been fortunate enough to be part of a more stable fiat currency scheme, there are many have had the misfortune of seeing their life savings rendered much less due to irresponsibility of their leaders.

Vision

Society and technology are rapidly evolving, and we have no idea what the future holds. We can only presume that the rapid technological and social change necessitates that capital shall continue to develop, adapt, and improve.

Cryptocurrencies have the potential to become increasingly sophisticated, providing significant benefits to society and the economy. There are many opportunities for cryptocurrencies to add innovative and valuable functionality. The ability of cryptocurrencies to be coded and imbued with new functionalities holds enormous promise.

Cryptocurrencies' almost unlimited divisibility and transferability provides an entry channel into previously unfeasible economic activities, which can inspire innovation and commercial circumstances.

For SDRC, continued DLT/Blockchain development means future second tier tokenisation of SDRC will allow re-denomination. The main advantages are that SDRC will not be diluted nor concentrated while a ratio-based coin/token will be created to further expand the idea of SDRC in view of expanding usage.

Disclaimer

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Please review our full Risk Disclosures, which are outlined in SDRC's Terms of Service.

08

FIAT CURRENCY - THEN, NOW AND ITS FUTURE

This section provides a brief overview of currency's functions and properties. It is far from exhaustive, but it gives valuable context for the topics addressed in this whitepaper.

History of Currencies

Money, like many other technologies and social structures, has evolved in tandem with culture and technology. It has become increasingly important, and fundamentally necessary, to all cultures by responding to evolving conditions, broadening its reach, and increasing its complexity.

Over time, it has both contributed to and gained from growth. As the scope and range of barter increased, many commonly traded and widely used items started to take on a broader, symbolic role; easy-to-transport, reliable, readily weighed and weighed commodities became widely used as proto-currencies. A strong example is salt.

Money evolved from something of inherent meaning — metals such as silver or gold — to something more symbolic: seashells, tally sticks, and finally coins and bills. Money issuance was once private in nature, but it gradually became a government monopoly. Sovereign currencies did not win confidence overnight, but needed various form of external backing or guarantee.

The gold standard offered financial support in the form of precious metal deposits. Most currencies' values were compared to the US Dollar under the Bretton Woods scheme. As sovereign currencies achieved independence, the amount of such backing, or the reserve ratio, decreased over time.

Today, nearly all countries issue fiat currencies, which are backed only by the issuer's reputation, and backing assets are nominal and irrelevant — even when confidence erodes and a crisis ensues as modern fiat money is largely founded on trust because it has little inherent value.

Currency Control Mechanism?

Currency may be thought of as a social contract: it is an arrangement between members of a community to use and recognise a certain type of currency. Like all contracts needs governance — a mechanism that executes, enforces, and, on occasion, modifies the arrangement. Monetary governance entails: issuance of new currency units and controlling supply; countering forgery; enhancing trade or storage efficiency; and, most importantly, safeguarding the currency's value.

Money has barely, if ever, had intrinsic worth. The ability to swap objects — coins, notes, or entries in bank ledgers — for more than their inherent value is an essential component of the currency contract. The scheme will only function if there is common belief that a currency's worth will be preserved in the future.

Confidence is difficult to instil and harder still to be kept at a constant beyond the issuer' country. A currency's power is directly proportional to the standard of its government. An IOU can be written by anybody, yet IOUs only becomes money or legal tender when user base becomes widely adopted hence decentralised.

09

VISION OF BLOCKCHAIN

This section provides an overview of blockchain technology and its potential to allow applications with built-in transparency and dependability. Our goal is to present DLT/Blockchain as easily as possible for anyone to understand. We will concentrate on what cryptocurrency can be used for rather than the technical aspects of how it functions.

Blockchain Defined

The easiest way to explain blockchain is with an analogy: imagine it as a machine used by members of a group. The machine is not owned by a single individual, and everybody in the world will see how it is used.

Members of the group will create applications for the machine to run. They can store data or describe tasks, as well as control who can use them. A blockchain, in principle, can do whatever a normal machine can do; the key distinction is that the computer is not privately owned.

In fact, a blockchain is a network of several computers (known as “servers”) that store and manage the same data. That data is a ledger with all transactions recorded. Maintainers of the network, also known as miners, operate according to protocol: if a user requests that an operation be performed on the blockchain, miners verify that the request is valid and, if so, each executes the operation on their server as required.

Since all servers in the network hold the same information and perform the same functions, it is reasonable to regard them together as a single device.

Blockchain Applications

The fundamental concept of blockchain is decentralisation: instead of running programmes on a single or a limited number of private servers, programmes run on several machines connected by a network. This comes with productivity and cost trade-offs. Since all blockchain processes are freely available, it is difficult to run applications that contain proprietary information or important intellectual property.

Blockchain is effective in situations where decentralisation is worth the above-mentioned compromises. We see two major advantages of running software on a blockchain:

1. Dependability

Working on a cloud network is more efficient than relying on a single organisation to store and preserve records. Both machines on the network validate processes, and data is less likely to be lost as a result.

2. Built-in transparency and integrity

The inner workings of blockchain-based programmes are totally revealed. Anyone should look at their underlying reasoning to figure out how they function. Blockchain is sometimes defined as a method of avoiding trust: rather than having to trust a programmer or organisation that their code works as believed, you get to see the code for yourself. However, blockchain is not only for the distrustful or anti-institutional: anyone will profit from an inherent assurance that a programme works perfectly, rather than relying on the integrity of engineers, their ability to remain in operation, or, in extreme situations, the law.