

Himalaya Capital Exchange



ICO

FAQ

*unstoppable capital
on smart contracts...*

Join our Telegram Group: <http://t.me/capitalcoinico>

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Frequently Asked Questions

Who are your clients?

Himalaya Capital Exchange is a 2 sided platform to start with, and then will evolve into a multi-party platform.



The 2 sides to the platform in the beginning are :

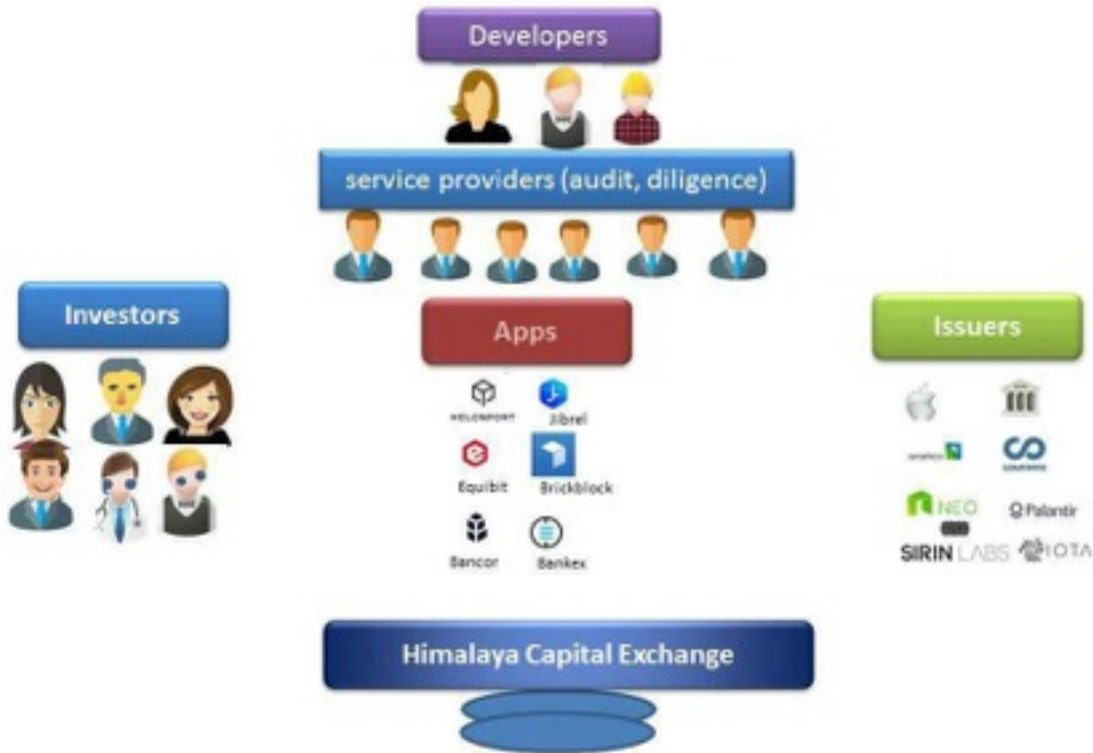
Issuers: Entrepreneurs and companies, SMEs around the world wanting to raise capital (shares, bonds, syndicated loans) through public markets.

Investors: Retail and Institutional investors

Issuers can also include governments , non-profit institutions, associations, trusts etc raising capital.

Eventually, we could also have third party developers, ancillary service providers to capital markets in an Amazon kind of market place.

A Two-sided Marketplace Platform



How does our platform make fees ?

The platform will charge user access fees by way of HCX tokens. These are the same utility tokens that are distributed to subscribers during our ICO.

The fees will be nominal and similar to “ether” that are staked when you want to create a smart contract on Ethereum platform. Both issuers and investors have to pay this access fees, by way of HCX tokens. Eventually, when third party developers come to the platform to propose their apps, they will also have to stake some tokens in order to propose to publish their apps to the platform.

However, these fees will not be the equivalent of percentage fees that capital markets intermediaries currently charge (such as 5% that some other ICOs currently charge and 7-10% that investment banks charge, as a percentage of capital raised on the platform). So, apart from the token access fees that are determined for access to each module depending on the complexity and criticality of modules, there is no percentage fees. So, in cost terms this is similar to bitcoin transactions where you can send \$100 million or \$100 for the same transaction fees on the bitcoin network.

So, as the demand for our platform grows, and there are more issuers and investors thronging to use our platform, the token price for HCX is expected to appreciate. The company and the trust dedicated to R&D and upkeep and maintenance of the Himalaya Capital Exchange platform will also have some tokens issued and earmarked to them. These HCX tokens will appreciate in value and constitute the reserves that the company has at its disposal. Similarly, the ICO team and future employees will also be awarded HCX tokens besides any cash compensation, which will serve as incentives.

Do investors use the same HCX tokens to buy security tokens that will be issued by other companies on the platform later?

No. HCX token is a pure **utility token** that is only used to raise money during ICO - for the funding of the project - that is building Himalaya Capital Exchange, and its business development.

The token that the investors would use to invest in security tokens later, will be the internal currency within our Himalaya Capital Exchange, (CCX) which will be our native digital token that is pegged to USD.

When companies (or issuers of securities) receive funds in the form of this native currency called CCX, they can exchange CCX for fiat money at our in-house crypto to fiat exchanges as and when they like. So the capital raised on our platform is completely fungible, and is guarded from the volatility typical of the crypto asset class - as it will be pegged to a popular currency like USD. This anchoring can be flexible in future. For example, if our token economy decides that a basket of currencies is better than a single currency of USD, then our peg might change to a basket of currencies.

So, the investors buying securities (Security Tokens) on our platform have exactly the same factors driving their investment decisions as the factors that drive the traditional investors of shares and bonds on Wall Street or any traditional Stock Exchange - namely fundamentals of the company, price appreciation potential, attractiveness of the industry, risks and risk mitigation strategies in place, competitive position, barriers to entry etc.

CCX is a **security token** that can be exchanged for security tokens of each issuer that uses our platform to create their Security Tokens.

So each issuer's **Initial Security Token Offering** (ISTO) or Initial Scrip Offering will be denominated in X number of CCX.

CCX is easily transferable into fiat, or the real securities of real companies that use our platform to issue their security tokens.



How will people be able to sell tokens into fiat

As a part of the architecture we are creating, we will have crypto to fiat exchanges in the ecosystem.

The issuer companies, as well as holders of CCX tokens can freely convert into fiat on our crypto exchanges.

Will buyers of security tokens issued on Himalaya Capital Exchange, be able to sell these security tokens to others? How?

Yes, in the beginning we are going to tie up partnerships with exchanges that can handle security tokens. We have identified such exchanges which have applied for securities licenses or licenses appropriate for Alternative Trading Systems (ATS). Lykke AG, Switzerland is one such exchange which will be securities complaint, and they have already agreed to partner with us. We are in discussions with several such exchanges across multiple jurisdictions which will allow trading of our security tokens on their platforms and list the security tokens on their platforms. We will endeavour to tie up with as many such secondary trading platforms in multiple legal jurisdictions as possible.

In the second phase of our roll out, we will also intend to build out a decentralised exchange under the Himalaya Capital Exchange banner , to allow the trading of security tokens.

Why is Himalaya Capital Exchange a better stock exchange ?



Because HCE is one global, borderless, frictionless exchange.

Tokenised shares will be by far more convenient , more liquid and a more easy to trade form of securities, than paper shares.

Removing physical and human barriers and making it a truly online exchange, will improve capital efficiency and make the landscape more competitive - as per OECD.

It is the first democratic solution to the worldwide problem of channelling capital to the most productive global enterprises.

Everyone around the world can use it, with minimum barriers to entry - save for quality.

Issuers are in full control of their capital raise, amount, listing price, allocation, managing the dynamic process of allocation to different shareholder profiles, investor relations, and investor communications.

Dividend and interests can be distributed automatically through smart contracts to accounts of owners.

Online voting of shareholders is possible.

In future, we would make use of AI to create superior intelligent matching algorithms.

Where is Himalaya Labs located?

Himalaya Labs is a UK registered company, based in London.

Where is the ICO going to be based?

Switzerland & Or Lichtenstein

Will I be able to issue bonds also on Himalaya Stock Exchange?

Yes, initially we will have modules for Initial Public Offering (**Initial Security Token Offering - ISTO**) and **Initial Bond Token Offering (IBTO)**. Any governments, corporates or even non-profit foundations can use our platform for raising capital through public markets.

We will also have a **Syndicated Loans Module** where a syndicate of lenders will be able to easily coordinate through smart contracts the credit approval decisions, allocations, distribution of interest, covenant setting, penalties and other automated actions that will follow breach of covenants and default etc.

Will I still need to go an investment bank if I use your platform to issue shares?

No, we are the first entity in the world to try and automate the processes in an investment bank. We will replicate the order book-building process of investment banks through algorithms so the users can calculate the guidance issue price themselves, and can set their own Initial Listing Price.

In this information age, we believe there is no need for self-aware and enlightened corporates, who are better informed than the intermediaries who evaluate them - to depend on the third parties to set share prices for them.

Yes, there are perverse incentives for corporates to inflate prices, but market will not accept prices which are not fair. So market discipline is more reliable than discipline imposed by centralised third party institutions such as the investment banks - as has been proven by vibrant and well-functioning market of sellers and buyers on Amazon, eBay etc.

So, investment banks will no longer be a necessary part of the equation. However, interested issuers can still engage investment banks to provide due diligence reports, audit reports etc (which are non-essential parts of the IPO). So investment banks will be reduced from their current integrated and essential role in IPOs with mandatory high fees of 7-10%. Several investment banks, as other freelancers or individuals can bid in our market place to provide

the due diligence and other services. Market forces will bring down the costs to equilibrium fair prices and exert pressure on intermediaries to truly add value to survive, rather than rely on their decades-long track record to continue to charge 10% of global capital raising fees - which makes capital costly and puts a burden on productivity of enterprises - as per OECD.

Investment Banks solve Information Asymmetry problems. They do have a role to play in IPOs. Who will put their quality stamp on issuers and issues, if there are no investment banks in the picture?

Yes, information asymmetry was a problem in the earlier less evolved technological era. There are still perverse incentives for lemons to pass off as quality assets in the absence of merchant banks or investment banks putting their stamp on the issue or issuer. But, the platform users will perform the role of curation here.

Also, as the quantum of funds raised increases, the market will naturally make the conditions more stringent for fundraising. For example, the investors of early stage firms are aware that their risk to return ratios are very different from those of established and more mature companies. Also, to be able to raise much higher capital, companies would have to show multiple thresholds of metrics, parameters of success, trustworthiness or quality, as opposed to seed stage or early stage firms which may have little to show and therefore can aspire to raising only smaller capital. In any case, since all issuers are raising capital through legitimate securities, they are accountable for fair and full disclosures as to risk factors.

Additionally, the curation exercise in our market design where token holders stake their tokens to choose and rank issuers will act as a market disciplining incentive for a fair evaluation of quality, rather than some third parties who are susceptible to moral hazard. Moral Hazard and Agency Costs will always tempt investment banks (as has been proven in many instances) in trying to safeguard interests of their well paying clients (hedge funds etc) at the expense of other small retail investors. So our system will bring fairer market practices and will curb the caramelisation and monopolistic behaviour of banks.

How do I decide on the listing price? Who will guide me on the listing price for my IPO, in the absence of investment banks?

Algorithms on our platform that will replicate the order book building of investment banks. The Order Book Building module will build an order book with investors for a limited range of prices and will generate a chart to tell you how much can you raise at each stock price and what amount of funding can you raise for what dilution? Based on that there is an optimal issue price you can choose, without referring to an investment bank.

Anyway, this order book is real because it is generated by real investors in a real market place. So when you launch the issue in real, those investors will then subscribe to your issue by a smart contract that automatically debits their wallet with digital money (CCX token) and credits the security tokens (of Issuer XYZ).

Will securities of the established companies also list on your platform?

Established companies that are already listed, may decide to issue a separate class of shares (crypto class) in parallel to their already traded traditional shares, because crypto will be the new cool!

So for example, Apple might issue their crypto shares on our platform say in 2020.

How do token holders participate in this next generation stock exchange? What is their role?

Firstly, HCX token holders will be the proxy beneficiaries of this platform , because there are no separate class of tokens or shares issued to founders or management. Everyone has the same token. So if token price appreciates, all the token holders benefit. So everyone's interests are perfectly aligned.

Secondly, HCX token holders can help us grow the platform by bringing in companies to list their security tokens on the platform - working as growth hackers or growth influencers for the platform, especially in early stages.

Thirdly, HCX token holders will have opportunities to participate in the functioning of the platform as follows:

1. By choosing which issuers will get priority in listing (thereby serving the platform curation function). Binance has introduced this function for their token. However, we will put a maximum ceiling on the number of tokens for any rank so that there is no chase to the moon (or for the first rank) by getting into a token staking war, which is not productive beyond a point.
2. By voting for some community decisions staking their tokens
3. By rating and scoring of issuers and investors (just like seller ratings in amazon) thereby keeping free loaders away and preserving the quality of the platform - which is essential to fast growth of positive network effects.

How will you curate quality issues so that there are no bad users damaging the platform's growth?

Token economy participants and HCX token holders will do that by participating in platform curation. See the above point.

What are the incentives for investors to use this platform?

Crypto securities (or security tokens) have all the advantages of cryptocurrencies, but backed by real assets of a company, just like real shares and real bonds are. Security tokens are more liquid, tradable around the world, more easily transferable, no cost to transfer, easy to exercise shareholder voting rights on security tokens, and can access investors around the world in seconds - as opposed to traditional stock exchanges with onerous procedures. Investors can also access multiple issues from across diverse industries, and around the world, as opposed to being limited to one geography.

Investors can also be assured of money not leaving their wallets or accounts, unless equivalent security tokens are exchanged for the digital money. So at no point is your capital in someone else's custody. This is achieved by smart contracts, which will perform their exchange function reliably every single time.

How will this platform grow?

How are you marketing this platform to worldwide entrepreneurs?

We believe such a utilitarian platform as HCX needs no marketing. ICOs went viral, as no one needs to convince companies on a easy fund raising method. Going by the over USD 10 billion already invested by the crypto investors in ICOs, even the investors don't need any convincing. However, we still have a customer acquisition strategy.

1. **Air Drop:** We will do a token airdrop around the world, targeting highly populous countries in Asia, Europe with large concentration of SMEs. This airdrop would not be targeted at any referrals or marketing, but purely for customer acquisition and incentivisation. These tokens would be their first access to the crypto world. Ours is the very first token targeting main stream audiences , industries and investors (who are not yet well versed with crypto)

2. **Community Leads:** The CEO has, over her tour of past 12 months, generated a lot of enthusiasm in countries around the world and mobilised regional volunteers who are willing to work on the ground to raise awareness and be regional representatives. We have over a dozen such representatives spread across Tokyo, Shanghai, Mumbai, Bangalore, Singapore, HongKong, Kualalumpur, London, Toronto, Zurich, Geneva, Berlin, Paris, Kiev etc. They

will act as initial ambassadors to onboard early companies (issuers) who will list on the platform.

3. **Beta Sign up** : We will have a beta sign up website which will sign up companies around the world who will wait to go on the platform when it is ready.

4. **HCX Community** : HCX Token holders will generate word of mouth and be regional growth hackers in their regions.

5. **ICOs to ISTOs** : We will also undertake wide promotional activities to target successfully concluded ICOs to consider listing their security tokens on our platform, as a natural progression of their crypto journeys.

How is Himalaya Capital Exchange (HCX) ICO different from any other ICO?

Other ICOs are offering tokens, which have a specific utility and function, or a specific security of a blockchain company. Our ICO will give you access to a foundational platform where companies around the world can do ISTOs. Just like Ethereum's success was directly linked to the number of ICOs raising money on Ethereum platform, our success will be directly linked to the number of companies raising money through ISTOs on Himalaya Capital Exchange.

We see our platform evolving into a worldwide marketplace with a lot of issuers, investors, value adding applications, third party developers, and indeed some capital market intermediaries converging to this platform offering modified services, albeit in a more competitive and transparent landscape.

How is ISTO different from the current ICOs? What do we have to do differently on this platform?

ISTO democratises capital raising for entrepreneurs around the world.

ISTO stands for Initial Security Token Offering (which is a security) and ICO stands for Initial Coin Offering (which is a token and NOT a security in most cases).

ISTO is a new and easier way to do an IPO. So, ISTO is closer to an IPO than an ICO.

ISTO opens up the gateways to capital raising for entrepreneurs across multiple industries as opposed to ICOs where only crypto and blockchain savvy entrepreneurs are able to raise money.

ISTO has to comply with securities laws across jurisdictions where the issuer and investor operate.

Issuer (or the company issuing securities) has to define what their security stands for, has to provide a prospectus and sign off on terms and clauses in an undertaking that they are responsible for providing fair and full disclosure of risks etc.

Which regulatory jurisdictions are favourable to this? What licenses have you applied for?

There are many jurisdictions around the world which are favourable to this. We are in various stages of talks with partners in Europe, Switzerland, India, Singapore, Hongkong etc.

How much will the regulatory licenses cost?

We expect to cover atleast 4-5 important jurisdictions with Broker Dealer licenses for less than USD10 million.

Would we ever be able to match the performance and speed of NASDAQ on blockchain?

Yes, technical protocols are already in conception. Plasma, Algorand, Snowwhite, Ouroboros, Sharding on Ethereum etc.. Execution expected in 2019. However, for the initial security token offering, speed is immaterial. Investors do not care if they get their security token in 1 second or 1 hour or 1 day, because the process has been simplified for them dramatically and costs have been eliminated, and friction of participation has been eliminated. However, speed and performance become critical in secondary trading - which will be solved by the next phase, by which time many decentralised protocols would have matured and made available in the market.

What do we need, in order for secondary trading of securities tokens to become a reality on decentralised exchanges ?

We need more mature decentralised protocols with better trade offs between scalability, performance and decentralisation and security. This is expected to happen by 2019.

Are tokens infinitely divisible like Bitcoin?

Yes

How are you able to improve the platform progressively over time and what that means for the stock already issued?

We will keep making the feature better for issuers as well as investors.
More users on the platform will bring disproportionate benefits to the existing users, through positive network effects.
More users will also bring better governance models into practice.

Are you able to force process/smart contract revision into an already existing instrument.

No. Smart contracts are code. Once we have coded an exchange method, it will not change.

We may introduce newer and better types of smart contracts, with more sophisticated features. But, if smart contracts have already been agreed to, and in force, they will not be changed - as changing them will be akin to changing the terms of the contract.

Initially we envisage the most basic smart contract - which exchanges digital money for digital security in a wallet. If there is not enough money in the wallet or not enough digital security , then the exchange wont take place. Neither the funds nor the digital security can leak via the smart contract.

Will there be a handbook on the fundamentals of preparing for listing for new issuers ?

Yes

How will you protect against external hacks?

Code Audits for Smart Contracts

No central party holding funds

Only smart contracts exchanging digital funds for digital securities

Who holds the IP rights?

The CEO of Himalaya Labs is the main architect and Himalaya Labs holds the IP over the platform architecture. So the IP will remain with Himalaya Labs which will give unlimited access to the Non profit foundation that will be set up to handle the ICO proceeds and to develop the platform and the community.

What is the smallest issue size on Himalaya Capital Exchange that is viable in terms of pre-issuing costs?

We can start off with \$100000. We can later decide this with the community and token holders, based on the issue sizes that are coming onboard. There are transaction costs for investors, as too small issue sizes would not be meaningful for investors.

Pegged Coin CCX - If it is stapled effectively say to USD then what happens when that moves against your position?

Each CCX will be pegged to 1 USD by putting the reserves in an audited bank account. So, we will be unaffected when currency moves either way. If for some unforeseen reason, should customers lose confidence in CCX, then we would just be giving them 1 USD for 1 CCX (from the reserve USD)

Is there a penalty mechanism for bad behaviour? Need to cover hacks, genuine losses or mistakes, non-matched trades (does the market take them or do they go back to the originator?)

We are talking about a better way of doing free trade amongst willing participants where the participants make the market rules and eject those that don't play properly.

Bad behaviour will be penalised by market participants by rankings, scores etc. Token holders will rank which issuer will be listed first etc.. However, there can be instances when communities collectively can make bad judgements and may end up supporting a seamster's issue. In such instances, the investors will have to take full responsibility for their investments. The issuers are not free from civil law, prospectus law (which requires them to make fair and reasonable disclosures before seeking investments), and criminal law. However, as we know, law enforcement is reactive than proactive, and we hope the market enforced discipline is reliable to ensure quality participation even before law enforcement can extend its hands to criminals.

Securities regulation is not there to save investors from their bad judgment, but to make sure the issuers provide reasonable information that can be relied upon in good faith.

Can entities other than individuals be players? Can entities be grouped eg family groups in order to view and trade super ledgers

Yes, potentially, in future

We are offering a fully trusted and transparent mechanism where your assets are always protected and identifiable. To begin with, any individuals, corporates, governments or non-profits can start raising capital or investing in securities - after satisfying KYC etc..

For further queries :

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Join Telegram channel <http://capitalcoinico>

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