

Finhaven Token (FINToken or FIN)

“If crypto succeeds, it’s not because it empowers better people. It’s because it empowers better institutions.” - Vitalik Buterin (creator of Ethereum)

The Opportunity

Traditional capital markets have existed for hundreds of years, with the earliest traces dating back to the 1600s. Since then, the nature of capital markets has changed dramatically, with new technological developments reshaping the markets as we know them. Fax machines changed the markets in the 1970s, and the internet and the corresponding digitization has resulted in the markets as we know them today. At Finhaven Technology Inc. (Finhaven), we believe that distributed ledger technology (DLT) will further transform the markets sooner than later, and that decentralized finance and crypto-assets will play a major role.

Until now **traditional capital and crypto markets have only co-existed, with no direct connection between the two**. Finhaven sees this gap and aims to create a bridge that will help crypto issuers and investors to freely move between traditional capital markets and the crypto space without legal or regulatory concerns. Existing crypto exchanges will benefit from this bridge by providing a better avenue for security tokens to their investors and by being able to seamlessly accept traditional capital market investors.

Finhaven will issue the FINToken on Ethereum, in order to provide utility and incorporate the advantages of decentralized finance. Finhaven will also implement a crypto gateway, which will act as a bridge between digital securities and crypto commodities. Here, FIN will play an integral role.

Our Goal

Our goal is to create a frictionless capital market experience and pave the road to the future by helping capital markets transition from conventional book-based systems to fully digital ones. Finhaven keeps building its ecosystem with the vision of integrating global capital markets by simplifying the capital market system through blockchain technology.

In the following paper, we identify current shortcomings of capital markets, describe our token's utility, and outline future directions for Finhaven's core technology platform.

Reimagining Capital Markets

Finhaven is leading the change in capital markets by building a platform where security tokens can be offered and traded in a compliant way, moving capital markets one step closer to democratization by leveraging blockchain technology and providing the crypto world with a safe place to trade.

Finhaven Private Markets, the first application of the Finhaven Investment Platform, is an alternative digital securities marketplace connecting private companies to private capital. More and more, private companies are shunning public listings, with 50 percent fewer public companies in the US than there were in the mid-1990s (the trend is similar in Canada). The burden of being a public company has increased over time and as a result, companies are staying private and staying private longer.

Finhaven developed a platform to address these pain points by unlocking previously inaccessible capital for issuers and simultaneously allowing investors to seamlessly buy, sell, and handle digital securities. Contrary to conventional book-based capital market systems, Finhaven Private Markets settles trades in real time and eliminates the need for third party transfer agents and custodians.

Previously, tokenized securities have received significant attention and were listed on several exchanges, such as Binance and FTX.

About Finhaven

Finhaven is a financial services and technology company that connects conventional capital markets and decentralized finance. Finhaven is based in Vancouver, Canada and has developed a core technology platform, the Finhaven Investment Platform, a blockchain-based* investment platform. The first application of the Finhaven Investment Platform is Finhaven Private Markets, operated by Finhaven Capital Inc.—a wholly owned subsidiary of Finhaven and a registered exempt market dealer and authorized security token marketplace operating in six provinces from BC to QC in Canada.

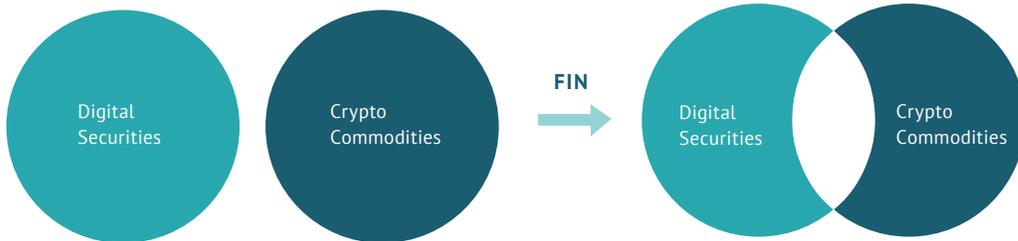
The Finhaven Investment Platform is composed of digital identity, capital raise & primary distribution, secondary trading, settlement, issuer action management, and token management.

* Hyperledger Fabric-based Finhaven Distributed Network.

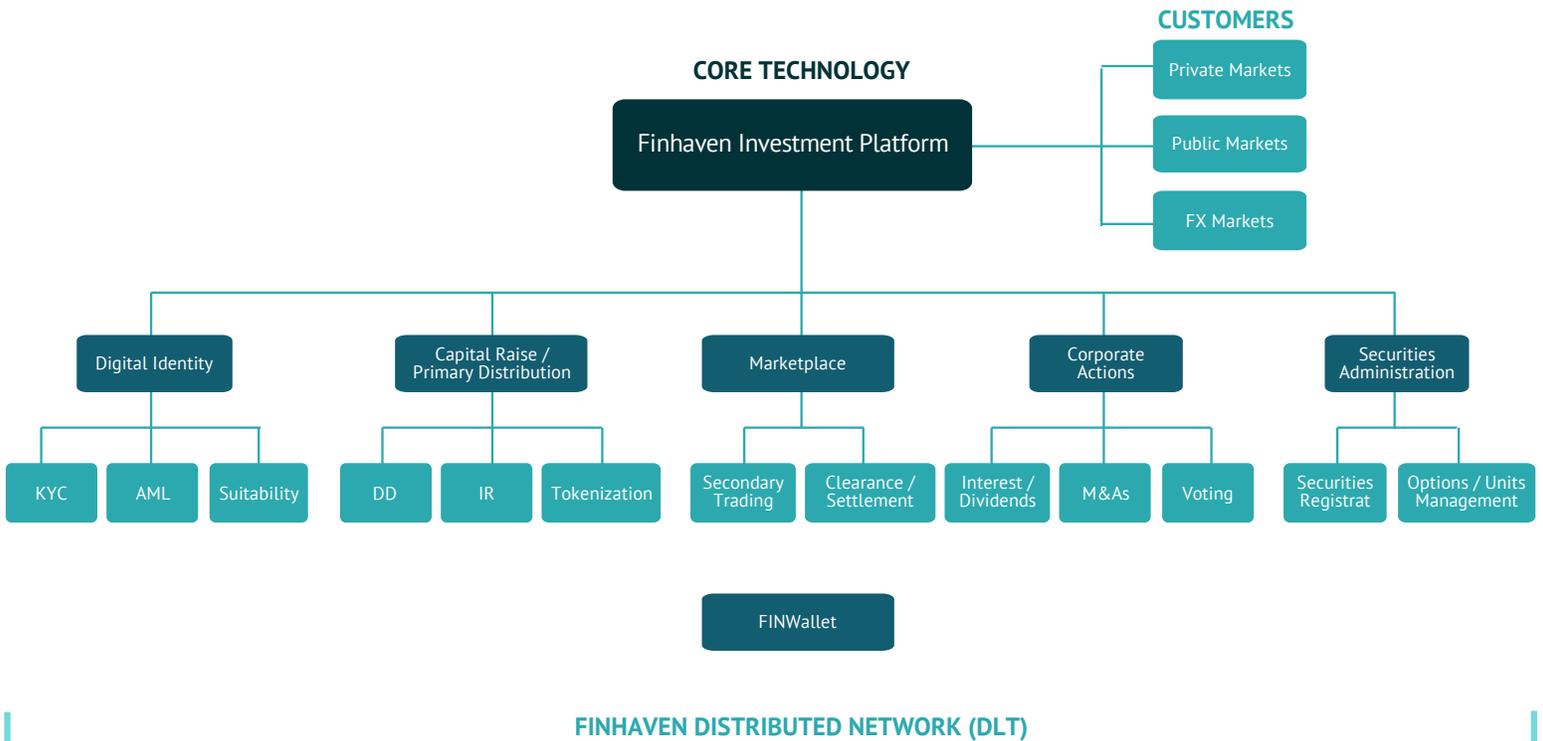
These so-called tokenized stocks, however, are merely derivatives and track an underlying asset which, in the case of both Binance and FTX, are custodied by a third-party service. In turn, this means that the holder of the tokenized security is never truly in possession of the underlying asset (i.e., self-custody is not possible).

In contrast to these tokenized securities, Finhaven Private Markets allows private companies to raise capital by issuing their securities directly on our permissioned distributed ledger. These digital securities can then be purchased, held by an investor in their own wallet, and traded by investors, without the need to trust any third-party services, such as custodians, that hold the underlying asset.

Currently there exists no effective solution that combines these digital securities with crypto commodities such as bitcoin (BTC) and Ether (ETH). For this reason, we will issue FIN, which acts as the corresponding utility token for the Finhaven Investment Platform and will provide bridging the two worlds. In doing so, we envision a new market will appear for both issuers and crypto asset users.



By issuing FIN, which Finhaven views as a utility token, and adding it to Finhaven’s existing ecosystem, we will create a gateway for real-time settlement between crypto commodities and digital securities that, in turn, will pioneer capital markets as we know them. FIN will provide a foundation for Finhaven to enable real-time settlement of cross-border transactions of digital securities in the months ahead.



Connecting Digital Securities and Crypto Commodities

As discussed in the previous sections, a seamless experience for both issuers and investors is our top priority. In order to accomplish this, Finhaven is extending the current capabilities of FINWallet, Finhaven’s own proprietary wallet, by supporting purchase of digital securities issued on Finhaven Private Markets using crypto commodities. This solution is fully self-custodial meaning that Finhaven will not be in charge of users’ crypto assets at any point in time.

By following this approach, we empower users by completely mitigating the risk of a centralized single point of failure. The proposed solution will function as a permissioned platform, meaning that users will be able to deposit their crypto-assets and use the gateway after passing the Finhaven Private Markets KYC/AML processes.

We will provide a smooth onboarding experience for both issuers and investors. This will be accomplished by using the already existing compliance framework present in Finhaven Private Markets, reducing friction by providing one single streamlined process for both traditional and crypto market types.

Furthermore, crypto-asset users will be able to use FIN as payment or a means of exchange, including for digital securities issued on Finhaven Private Markets (assuming the user is eligible to be an investor client). To the best of our knowledge, there currently exists no option that combines both crypto commodities and digital securities, making our proposed solution the first-of-its-kind to serve this function.

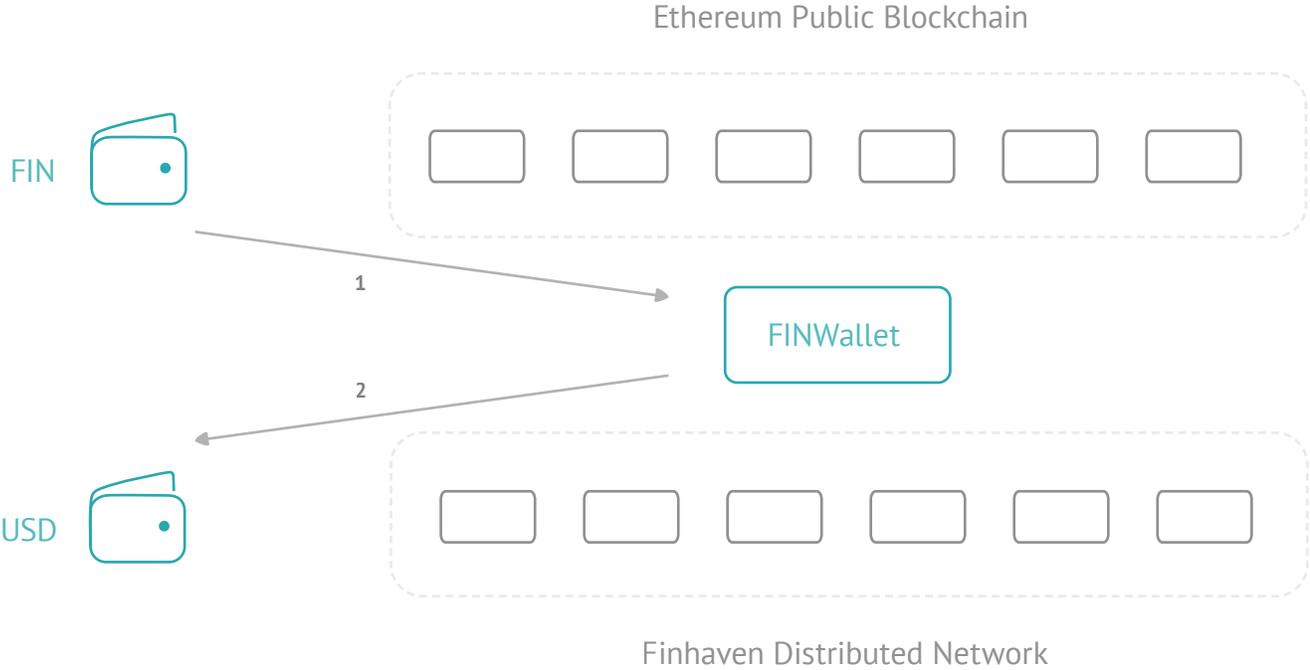
All crypto-based settlements will be handled primarily through the FIN which will be deposited into FINWallet*. Besides FIN, it will also integrate various decentralized exchanges, thus, supporting the exchange of tokens based on Ethereum with FIN. We also intend to support the sale of FIN for ETH with the FIN on the other side of the trade coming either from the Finhaven treasury or from the Gateway’s acquisition of it on the open market. In the beginning, FINWallet will support USD, CAD, ETH for direct FIN sale, with more crypto commodities (cryptocurrencies) planned to be added in the future.



* Finhaven Private Markets investor clients can choose fiat-based or crypto-based settlements. Each investor client and each gateway customer has a FINWallet

Instant Settlements

FINWallet will allow users to purchase digital securities using the FIN without involving multiple intermediaries, thus making the experience simple and secure. Currently, transactions with permissionless L1 solutions such as Ethereum are slow and expensive. Our solution will make this process more efficient, faster and, most importantly, cheaper by leveraging the Finhaven Distributed Network. The following diagram demonstrates the proposed architecture.



FINWallet will allow users to exchange their FIN for USD and CAD*, with more options planned in future. By allowing users to exchange FIN for USD and CAD, we will be able to counteract the volatility of crypto commodities on public networks, resulting in an enhanced user experience. Users would be able to instantly settle trades through the Gateway by this means on Finhaven’s Distributed Network.

Transfers on our network would be instantaneous and free of gas for Finhaven Private Markets clients wishing to settle trades using USD and CAD. Finhaven Private Markets clients and users of FINWallet will be charged a trading commission when trading FIN, ETH, CAD and USD on the spot market. In addition, gas fees will be charged when assets enter or exit our network (e.g., when the corresponding FIN are transferred in and out of the FINWallet).

* USD and CAD both refer to the stable currencies on FDN and NOT on Ethereum or any other permissionless blockchains.

Once FINWallet users have completed their trading activity, the remaining USD and CAD can then be exchanged back to FIN on the Ethereum mainnet. This exchange would again incur gas fees as the transactions are conducted on Ethereum's public network. We envision FIN as a means to connect permissioned and permissionless blockchains in a transparent manner and the detailed technical specification will be published in the near future.

All transactions will make use of decentralized identifiers (DID) and similar to prominent cryptocurrencies, such as BTC and ETH, will be conducted peer-to-peer. This, in turn, means that there will be no intermediaries between seller and buyer.



Settlements will be instant, made possible through the use of FIN (paired with the stable coins) and the Finhaven Distributed Network, with Finhaven being the sole witness in transactions between buyers and sellers of FIN, ETH, CAD, and USD. This will allow us to address the limitations of permissionless ledgers and will in turn make our proposed solution the first of its kind.

In the world of publicly traded securities, instantaneous settlements we have just outlined would certainly benefit domestic users, but their impact has even greater potential for use in cross-border transactions. Here, our gateway solution would not only eliminate the need to involve multiple intermediaries but would also make currency exchanges obsolete, making the fee structure, which would be denominated in USD or CAD, more transparent. By leveraging atomic transactions using FINWallet and USD & CAD, the counterparty risk would also be eliminated and, consequently, would result in an enhanced user experience by making trading cheaper, more robust and secure, thus, culminating in settlement finality without expensive, complicated third-party intermediaries.

DeFi Integration

We will incorporate mechanisms known from DeFi (decentralized finance) on the Finhaven Investment Platform in the future when we enter the public markets space. By eliminating the middlemen and allowing users to create tokens on Ethereum representing their securities (see lending discussion, below), we will unlock an income stream for the actual holders, which, in traditional finance, is absorbed by third parties such as broker dealers.

To illustrate: imagine a scenario where an investor wants to short a stock. In traditional capital markets, this investor would have to go through a broker dealer, who would lend the shares for a fee. In this case, the actual owner of the borrowed shares will never see any of those fees from the lending and will most likely not even know that their shares were being lent out in the first place. Our solution would avoid this scenario by connecting borrowers and lenders directly via smart contracts without the need for third-party services.

In the future, FINWallet will support the creation of tokens (ERC20) for lenders, i.e., the holders of the underlying security, with tokens representing one or multiple securities, depending on the use case and users' needs. The lending process itself would then be accomplished by interacting with Finhaven's smart contracts, which, fully trustless, would lend out the tokens to interested borrowers, similar to already existing lending pools, such as Aave. Borrowers can then directly borrow the shares from the lenders and pay the fee, which is determined by the available shares in the lending pool, directly to the lenders. Naturally, the fee would increase or decrease depending on supply.

Staking in FINWallet

FIN holders may also have the ability to stake their coin holdings in their FINWallets on third party exchanges. In doing so, they will be able to access certain benefits, such as a fee discount.

Due to the capital markets' fee system being very complicated and entailing a large number of stakeholders, we intend to provide the option to settle service and transaction fees in FIN. Having FIN as a unified medium between network participants (whether FPM, Ethereum mainnet, or any other DLT network) ensures consistent settlement without the need to worry about exchange fees.

Staking FIN will reduce fees for stakers and the staking period will have a direct correlation to the fee discounts and other rewards that stakers will receive. It can be seen as a simple multiplier, with a maximum value of x1, i.e., staking for a certain amount of time will result in the maximum benefits. Holding FIN in the FINWallet will then offset transaction and processing costs*. These fees include both the Finhaven Private Markets exchange fees and the processing fees for settlements of crypto securities. Detailed discount rates will be published when the token is ready to be used for fee payments.

Fee discounts are merely one of many benefits that will be available to stakers and the list will be extended along the road.

* "Transaction" in this paper includes both crypto-currency and digital securities trades.

Future Vision

Expansion

Finhaven intends to expand globally and provide a platform for emerging companies worldwide to raise capital and trade securities. We already take issuers from other parts of the world, and we are preparing to expand our investor base beyond Canada.

Interoperability of security tokens

In the future, we will work to connect TradFi (traditional finance) and DeFi in ways that allow holders of tokenized securities on Finhaven Investment Platform to interact with other permissionless protocols, such as other lending pools or decentralized exchanges, while being compliant with applicable securities laws and regulations.

These tokenized securities could also travel across both public and permissioned L1 blockchains through the use of existing bridges. Similarly, the holders of these securities could also use L2 solutions, such as Optimism, Arbitrum, or Polygon, all of which significantly reduce transaction fees. We firmly believe that capital markets are going to be both decentralized and democratized and are working towards that future.

FINHAVEN SMARTCHAIN

In the future, we envision extending our network by developing the Finhaven Smartchain, an EVM-compatible blockchain, with FIN as the native token. Unlike existing chains, such as Polygon or xDai, Finhaven Smartchain will provide full regulatory compliance with node operators in the network comprising institutions that will ensure transaction correctness, soundness, and finality.

Settlement Efficiency Through Collateralization

With brokerages holding investors' funds in fiat currency and sending the orders to marketplaces, there is a challenge in implementing atomic transactions. In order to address this limitation, we intend to leverage the FIN staking mechanism for collateralized instant settlements.

Brokerages, or any other parties, will be able to stake FIN on our marketplace and would then be able to settle trades based on the collateralized amount. Here, an overcollateralization of 130% (tentative collateral level) will be required in order to offset the volatility risk as all balances will be updated once at the end of the trading day.

Voluntary Disclosure Plan

Finhaven plans to disclose material development information relevant to the FIN on its website on a quarterly basis.

Team

Please visit www.finhaven.com

Definitions

Crypto: Ledgers on private and/or public blockchains. This term is used with digital interchangeably in our documents.

Crypto Assets: Crypto assets include crypto commodities and crypto (or digital) securities.

Crypto Commodities: Ledgers on blockchains that cannot be deemed as securities. Finhaven views BTC and ETH as crypto commodities.

Digital Securities: Ledgers on blockchains that can be deemed as securities. Finhaven tries to view this issue from global perspectives, but when there is an ambiguity we use Canadian applicable laws and regulations to determine securities vs commodities.

Conclusion

This document gives an overview of the current shortcomings of capital markets and identifies a disconnect between them and the rather recently emerged crypto markets. We then present the Finhaven Investment Platform and discuss how FINWallet and FIN will be able to bridge this gap. We believe that, in combination, these two components will result in a more inclusive and accessible marketplace.

Decentralized Finance (DeFi): Financial systems available on public decentralized ledgers, such as Ethereum, that make use of smart contracts without traditional financial intermediaries

Ledger: Collection of balances of a crypto asset on blockchain

Traditional Finance (TradFi): Traditional financial systems where financial transactions take place through registered financial intermediaries

Smart Contract: A computer program that is self-executing based on a predetermined set of conditions and, in this context, is stored on a public ledger, e.g., Ethereum.

ERC20: The interface for implementing fungible tokens on Ethereum.

Disclaimer

This White Paper is published to explain Finhaven's high-level plan to create a bridge between traditional finance and decentralized finance. It is not a commitment to a specific plan of action or even a commitment to undertake this work. The Paper is intended to spark conversation among stakeholders interested in blockchain supported financial services and money services business. Finhaven expects the discourse triggered by this paper will assist the company in creating business plans to carry out the work or in deciding not to undertake the work or any part of it.

The White Paper is not information intended to be relied upon by investors or potential investors in Finhaven. As a result, no representation or warranty, express or implied, is made or given by Finhaven or any of its affiliates, directors, officers, or employees as to the accuracy, completeness, or fairness of the information or opinions contained in this White Paper and no responsibility or liability is accepted by any person for the information provided or opinions expressed here. Finally, the contents of this White Paper are not to be construed as legal, financial, or tax advice.

In the event relevant securities regulatory authorities form a view that Finhaven Tokens are "securities" rather than utility tokens, Finhaven will consider the impact on these Whitepaper concepts.

To learn more about Finhaven, please explore these resources:



8 QUESTIONS ABOUT FINHAVEN PRIVATE MARKETS



DH KIM'S JOURNEY TO FINHAVEN



DH KIM ON INNOVATION IN PRIVATE MARKETS



NFTS DEEMED SECURITIES NEED A PLACE TO TRADE



DH KIM HELPING BC SECURITIES COMMISSION NAVIGATE THE FINTECH SPACE



INTERVIEW WITH DH KIM ON NEW TRENDS IN CAPITAL MARKETS



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