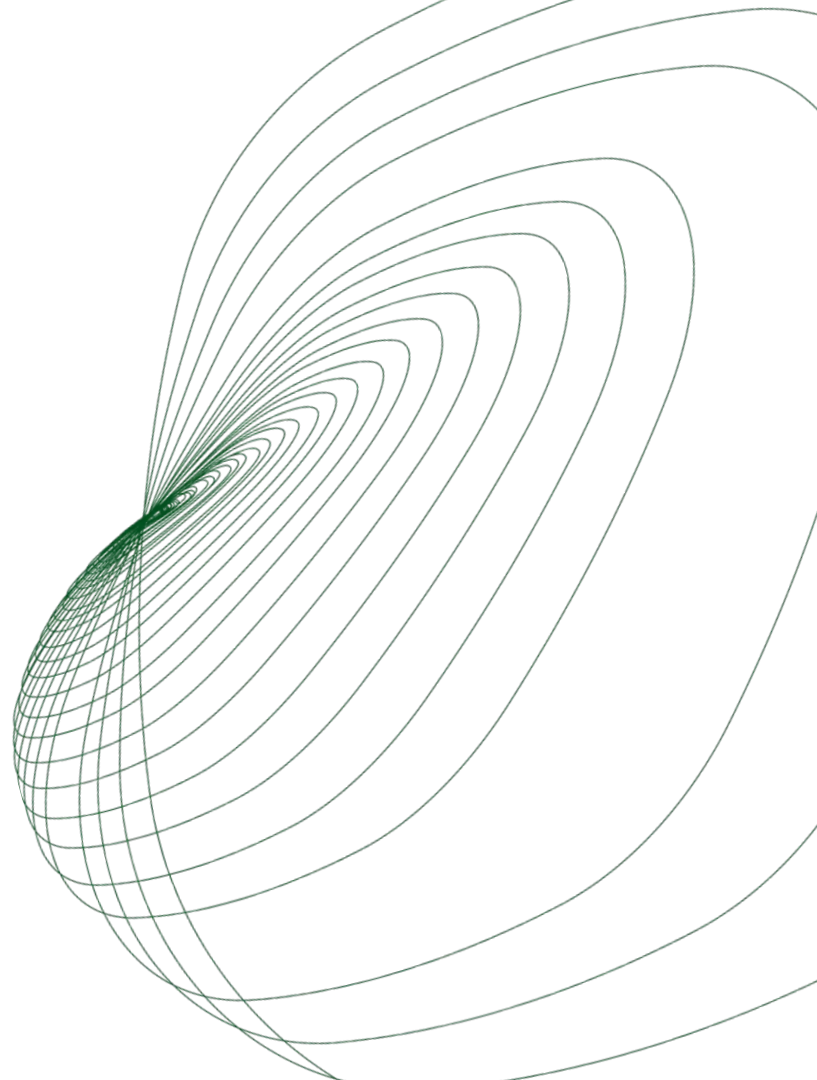




# CFTC TAC

## Panel II: Stablecoins

**Paxos CEO & Co-Founder Charles Cascarilla**  
February 26, 2020



# About Paxos





# PAXOS

A regulated, qualified custodian modernizing  
financial market infrastructure

# Our Presence

**Founded 2013**

**120 employees worldwide**

**\$93M capital raised**



New York



Singapore



London

# Our Board



**Sheila C. Bair**

Served as Chairman of the FDIC from 2006-2011, during one of the most turbulent economic eras in history, and was among TIME magazine's 100 most influential people.



**Bill Bradley**

Currently a Managing Director of Allen & Company. Was previously the U.S. Senator for New Jersey (1979 - 1997), during which time he served as the Chairman of the Senate Finance Committee.



**Robert H. Herz**

Previously the Chairman of Financial Accounting Standards Board. Has served as PwC North America Theater Leader of Professional, Technical, Risk & Quality.



**Jim Manzi**

Served as Chairman, President, and CEO of Lotus Development Corporation from 1984 until 1995 when the company was acquired by IBM. Currently serves as the Chairman of the Board of Thermo Electron.



**Duncan Niederauer**

Former CEO of NYSE/Euronext and President of the Intercontinental Exchange. Formerly a partner at Goldman Sachs, a career spanning 22 years. Currently serves on the board of First Republic Bank, GEOX and Sorenson Communications.

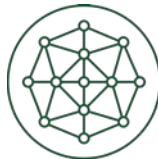
# Pillars of Paxos

As a regulated Trust Company, we have strong regulatory and compliance controls that underpin our deep experience as the gateway between traditional and digital assets



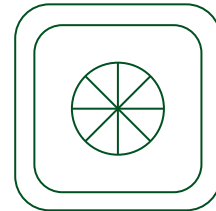
## Regulatory Oversight

Highest regulatory status in the industry as a NYDFS-regulated Trust Company



## Technology

Innovative technology platforms and APIs that partners can use to build white-label products



## Asset Protection

Multi-party signatory storage and US-government guaranteed financial instruments secure customers' crypto and fiat funds

# Our Products

## Tokenized Assets

Stablecoin (Paxos Standard/PAX)

Stablecoin as a Service (Binance USD/BUSD, HUSD)

Gold-backed tokens (PAX Gold)



## Crypto and Cash Management Solutions

Crypto and cash custody, exchange trading, OTC trading, fiat gateway, stablecoin swap and more, all available via API



## Post-Trade and Settlement Solutions

Services include post-trade confirmations, netting, settlement, custody and more for commodities and securities



**Paxos Settlement Service**

# Our Customers

Paxos serves a diverse customer base of established financial institutions and technology businesses

CREDIT SUISSE 

**BARRICK**

**INTL · FCStone®**

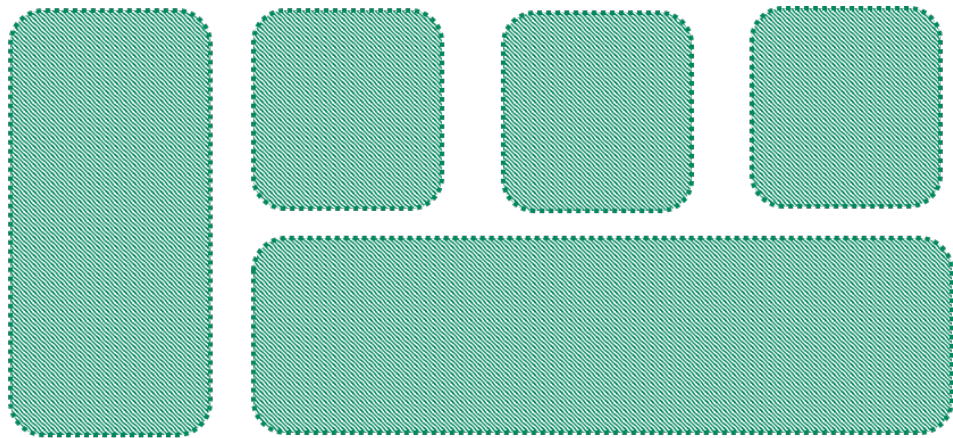
 **BINANCE**

 **SOCIETE  
GENERALE**

**NOMURA**



# Regulatory Foundation

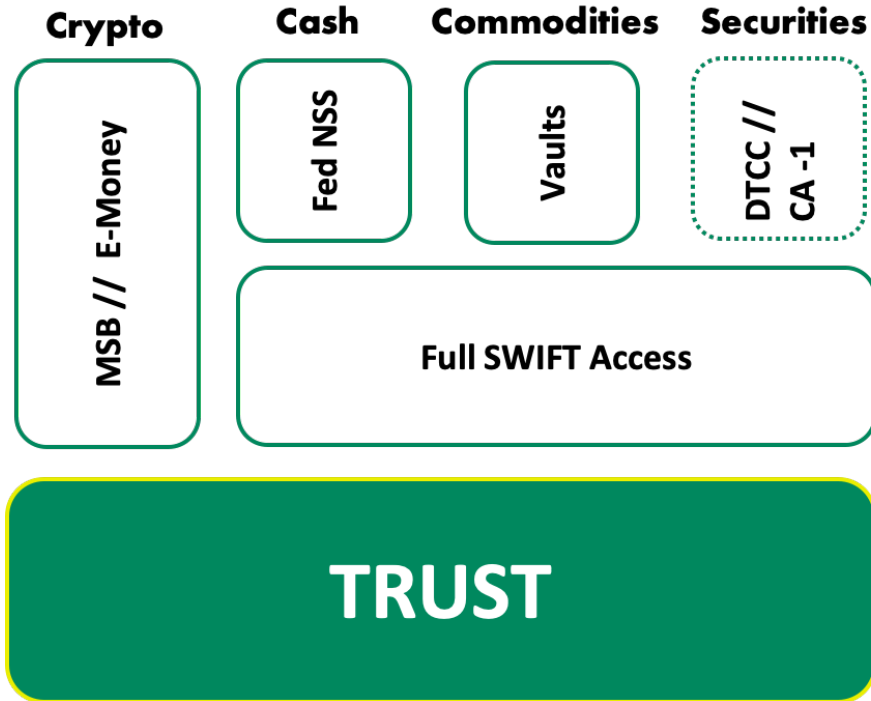


**TRUST**

*Trust*  
In 2015, Paxos became the first blockchain company to receive a Trust charter from the New York Department of Financial Services (NYDFS).

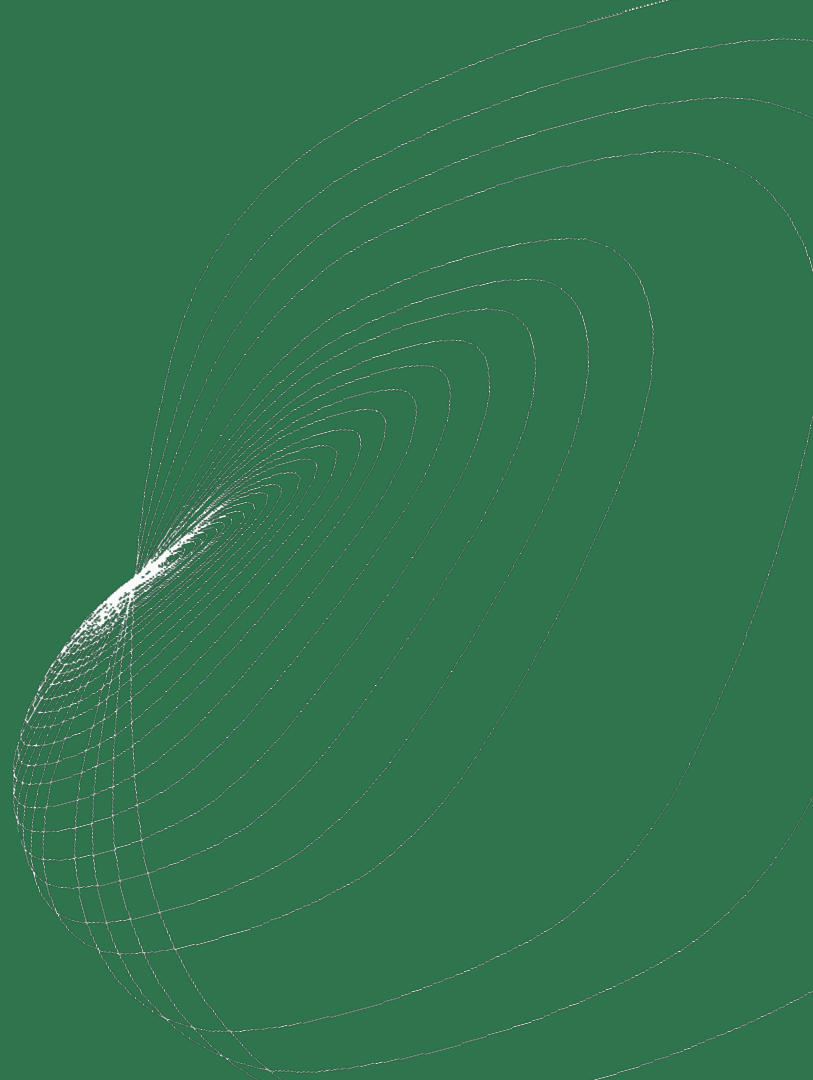
- As a trust, Paxos is considered a 'Qualified Custodian'
- The NYDFS approval provides Paxos reciprocity and legitimacy in many other jurisdictions
- The trust serves as the foundation for other current and future licenses and approvals

# Approvals and Regulatory Clearances



- **SWIFT** - enables access to the largest messaging network for transactions between financial institutions
- **MSB** - Licenses in GA and CT
- **FED NSS** - Allows Paxos to move money and settle transactions through designated master accounts at Federal Reserve Banks
- **Vaults** - Financial accounts with accredited vault operators allow Paxos to custody and settle precious metal transactions globally
- **DTCC** - Enables Paxos to provide solutions for US securities - the vast majority of securities transactions in the US are settled at DTCC
- **SEC No-Action Relief** - Allows Paxos to conduct pilot program for securities settlement for 2 years
- **CA-1** - In progress, Paxos is pursuing an SEC-approved clearing agency for clearing & settling securities trades on blockchain

# Paxos Stablecoins



# Paxos Standard (PAX)

## \$1 Paxos Standard (PAX) = \$1 USD

- Every token is issued **1:1** in exchange for \$1 USD
- The entire reserve is **100% collateralized** by USD held in full (not by fractional reserve) in dedicated omnibus cash accounts at FDIC-insured banks
- This is a **digital asset** that is a representation of US dollars - providing all users with the confidence of the physical dollar matched with the speed and flexibility of a digital asset
- Key characteristics: available 24/7 (outside of banking hours), accessible globally, safe, stable, built on an open system (Ethereum)

# Stablecoin as a Service

Large companies leverage Paxos infrastructure to power custom-branded and regulated stablecoin solutions without the technology burden or regulatory expertise.

Paxos is the only company that is able to offer regulated, white-labeled stablecoins.

SPOTLIGHT ON BINANCE

 BUSD on  BINANCE

“Paxos is leading the digital trust space and we are excited to work with them in developing our native stablecoin.”



Changpeng Zhao  
CEO of Binance  
World's largest digital asset exchange

# How Paxos Stablecoins are Regulated

- Paxos Trust Company and its stablecoins are regulated by the New York State Department of Financial Services
- As a Trust, Paxos has bank-like supervision and is bankruptcy remote
- Reserves are held in only the safest financial instruments
- Monthly attestations are conducted by a third-party auditing firm
- Transaction monitoring is on-going for funds on platform and “in the wild”
- Regulatory complaint resolution process

# Use Case for Stablecoins

## For Consumers

- **Trading** - USD is the preferred denomination in which to quote and trade crypto
- **Settlement & Payments** - transfer funds instantaneously
- **Holding and Saving** - currency stability and the ability to save, especially for people who typically only have access to hyperinflationary currencies

## For Businesses

- **Commercial Banks** - real-time account settlement between account holders
- **Payments Processors** - accept and settle consumer settlements with little cost
- **Global Businesses** - accept US customers and US dollar deposits
- **Crypto Exchanges** - Offer exchange-branded stablecoins to facilitate crypto trading
- **Remittance Providers** - lower cross-border fees and open up new remittance corridors



Thank You

