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# Velo

## Rating Report

BB Outlook Stable

September 2020

### ANALYSTS

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# EXECUTIVE SUMMARY

## Advantages:

- ① The project is clearly focused on application scenarios and market needs, and thus has a fairly good probability for future popularization.
- ② Team members have sound backgrounds. Core members who graduated from top universities have more than ten years of experience in traditional industry such as finance, as well as experience in management.
- ③ Competitive strategic partners propel the operation of the project. Lightnet, the key partner company of Velo, offers good support to Velo.
- ④ The project's token is reasonably distributed. A considerable portion of tokens is used to construct and develop the ecosystem community. Meanwhile, the release mechanism is clear.

## Challenges:

- ① There are many competitors in the payment industry, and the industry needs that are focused on by different competitors have been repetitive. Velo needs time to stand out from the variety of competitor projects.
- ② Although developing fast, Velo's community operation started in July 2020 and is in a relatively early stage when compared with some mature projects.
- ③ Velo token is currently not in circulation, and thus its future performance in the secondary market needs time to verify.

## Outlook

The key partner company, Lightnet, can provide a reliable support to Velo. However, there are many projects performing value transfer and payment transactions, and the market is relatively competitive. As a project in such an industry, the future development of Velo is closely related to the extent to which it expands its ecosystem network.

## Conclusion

Based on the above information, TokenInsight gives Velo a rating of BB, with a stable outlook.



## CONTENTS

Executive Summary	2
Multi-dimension Assessment	3
Project Analysis	4
Industry and Competitors	9
Token Economy	11
Team and Partners	13
Community Analysis	16

# 01.

# MULTI-DIMENSION ASSESSMENT

Primary Indicators	Secondary Indicators	Comments
Team	Tech Capability	The proportion of tech members is high on the team. The CTO has more than 10 years of technical experience and the technical skills of the whole team are competitive.
	Management Capability	The executive members have solid professional backgrounds with management experience.
	Investment Institutions and Partners	Velo has support from its key partner company Lightnet, which received the investment from the UOB Venture Management, CP Group, and HashKey Capital, ect. Project partners are comprehensive, able to propel the development of Velo.
Project	Technology	Built on Stellar blockchain, which has a certain degree of technical reliability
	Efficiency	Disclosed transaction processing time is relatively short
	Roadmap	Velo has a clear and detailed roadmap planning a well-defined future; present development is basically in line with the plan
	Security	No known security accidents, auditing report obtained, has certain extent of security guarantee.
	Token Economy	Velo has a clear economic model with reasonable token distribution. However, at the moment it has finite application scenarios and the functions are currently limited, but the team has been working on the expansions of both metrics.
Ecosystem	Public Sentiment	The website UV each month is lower than 5,000, and community activeness is not high but growing
	Secondary Market	Not listed yet
	On-chain Performance	No circulation yet

# 02.

## PROJECT ANALYSIS

Velo origins in June 2018 and registered in the British Virgin Islands. Velo’s key partner company is Lightnet, a cross border remittance service supplier registered in Singapore, which has some influence in the field of Fin-tech in South-Eastern Asia. As a digital credit protocol providing blockchain payment technology for Lightnet, Velo is operated by the non-profit entity, Velo Labs Technology Ltd., and provides service of digital credit value transfer. Currently, it focuses on the development and improvement of its payment processing infrastructure BridgeNet & LiquidNet, the expansion of strategic cooperation network, and the obtainment of the Monetary Authority of Singapore (MSA) License.

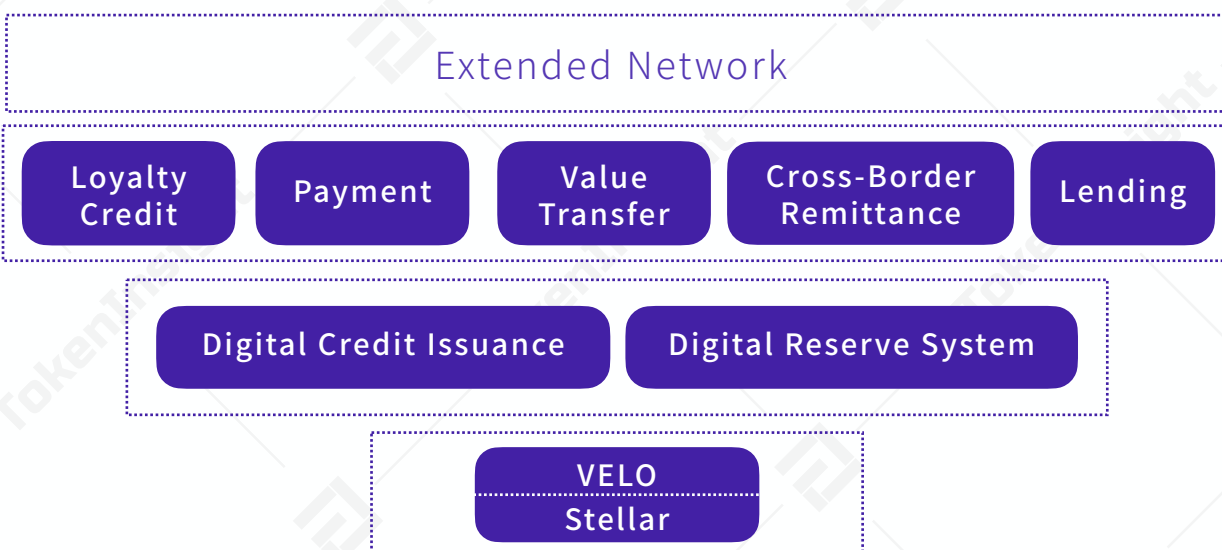
### 2.1 Project Introduction

Velo, a financial protocol built on the Stellar blockchain network, can enable digital credit issuance and cross border asset transfer through a smart contract system. Velo aims to develop a decentralized settlement network that allows trusted partners to transfer value safely, timely, and transparently.

Below is the project structure of Velo. Based on Stellar blockchain, the Velo protocol consists of two parts: Digital Credit Issuance and Digital Reserve System. Digital Reserve System ensures the settlement of Digital Credit in the Velo network, further allowing a series of economic activities including payment, lending, remittance.

▸ **Velo Project Structure**

Source: Velo, TokenInsight

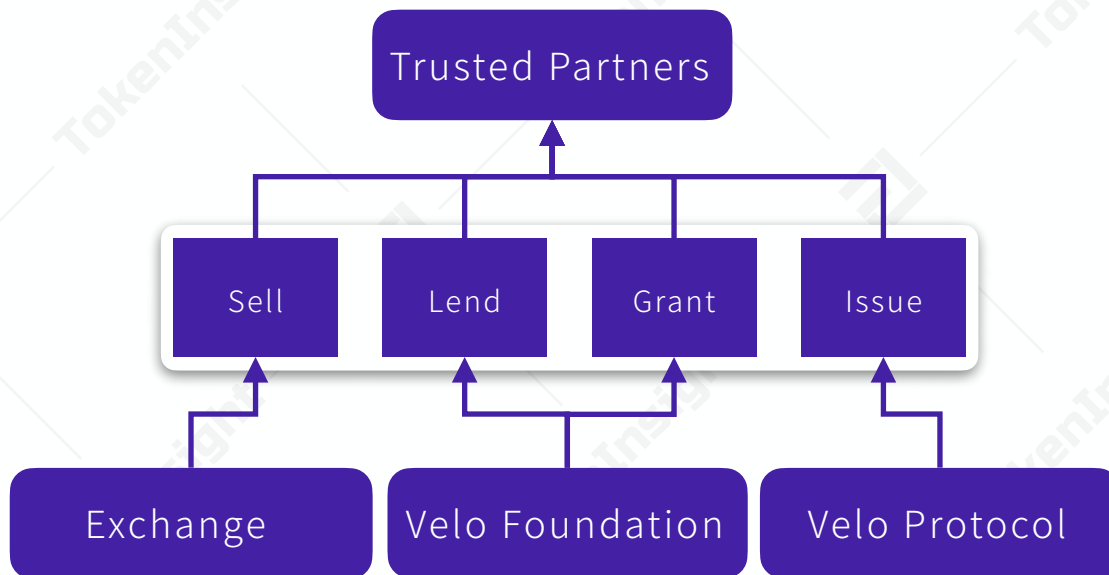


Specifically, Velo Token, issued by Velo is the entrance of joining the Velo network, any users who want to join the Velo network need to deposit a certain amount of Velo token in order to become trusted partners in the network. Trusted Partners obtain the equal value of digital credit by depositing fiat currency, meanwhile, once trusted partners receive fiat money income from business activities, Velo will issue the equal value of digital credit for them.

Managed by the Digital Reserve System, the value of digital credit is anchored to the fiat currency which is deposited in the system, the value of Velo will fluctuate by market needs. Ideally, as the Velo network grows, more and more users will be willing to join in, assisting the continuous increase in the value of Velo token. As a whole, Velo is a clearly designed project with good feasibility that may have considerable growth in the future.

► **Velo Token Access Channel**

Source: Velo, TokenInsight



### 2.1.1 Technical Structure

As a project based on Stellar blockchain technology, Velo takes the Stellar consensus protocol as its consensus mechanism. All transactions within the Velo network are publicly visible, the transaction issuer uses Ed2559 encryption algorithm as the signature, in order to ensure the transaction is authorized. In spite of this, because Stellar cannot completely support all applications in the smart contract of the Velo protocol, Velo will also use the protocol, Warp, to enable cross-chain operation, linking Stellar to other public chains. This not only enables immediate digital asset transfer but also aids the arrangement and execution of the smart contract which is used to build the digital reserve system.

Digital Reserve System is the core of the Velo structure, which is now composed of three smart contracts: Governance, Digital Reserve System, and Reserve Manager. Of the three components, Governance is mainly used as data storage; the Digital Reserve system smart contract deals with the issuance of digital credit and stabilizing its value; while as for Reserve Manager smart contract, details are not available.

In conclusion, As a pioneer project in the digital asset payment industry, Stellar has a comparably reliable technology foundation and mature ecosystem network, and it is able to provide a strong foundation for Velo to develop. Meanwhile, the Velo project’s technology whitepaper includes detailed information, but the actual effect still needs time to verify.

## 2.2 Risk Management and Regulation

Information about Velo’s risk management and regulation is complete, including risk management of smart contracts and also the progress of licensure regulation. In terms of transparency, according to Velo, deposits of fiat and issuance of digital credits will be publicly viewable, making it different from centralized stablecoin issuers in the industry.

As for the security of smart contracts, verified by TokenInsight Research, Velo has finished auditing the codes by August 2020. The auditing report of the Velo smart contract is completed by the well-known code-auditing firm, Peckshield, but it only covered the smart contract DRSv2 of Velo’s Digital Reserve System.

The auditing report provided by Peckshield includes evaluation and analysis of the probability of vulnerability exposure, the impact of a single attack, and severity of risks. The problems exposed include one high-risk vulnerability, one middle-risk vulnerability, and 2 low-risk vulnerability, and according to the latest auditing report, these issues have all been fixed. Overall, the project has a good level of safety.

### ► Example of Smart Contract Auditing Report

Source: Velo, TokenInsight



Velo is active in licensure compliance. It has obtained the regulatory analysis report by the Singapore based law firm, Simmons & Simmons JWS. Meanwhile, the key partner company Lightnet has submitted an application to the Monetary Authority of Singapore to obtain the MPI license which will allow payment company to provide services including fund transfer and cross border asset transfer. As disclosed by Velo, Lightnet is expected to be licensed for MPI in September 2020.

## 2.3 Operation Analysis

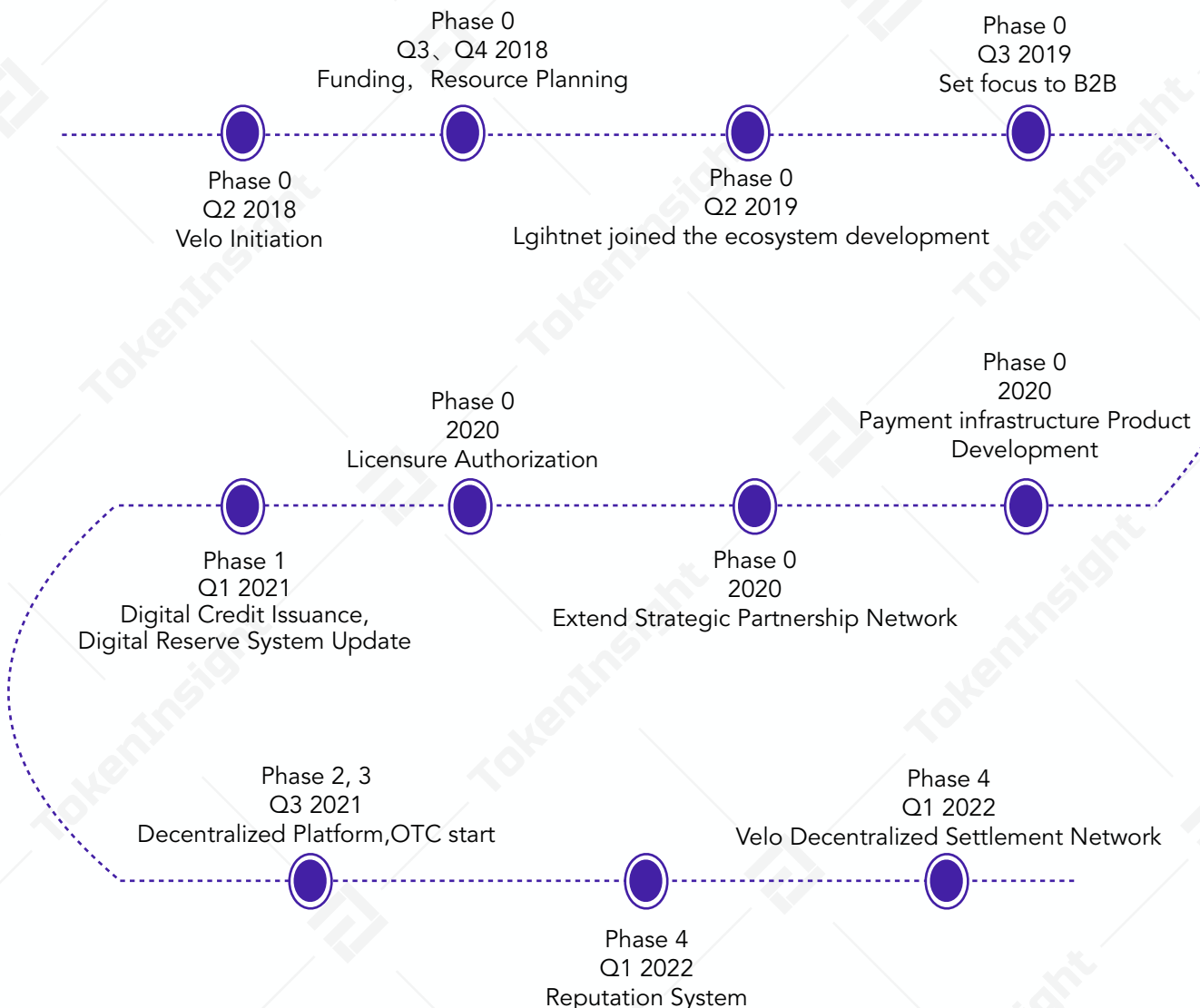
*" Velo has a clear path for future development, with frequent updates on media platforms recently.*

### 2.3.1 Roadmap

The development of Velo project is divided into four phases, and to be finished in two years. Phase 0 is to initiate the Velo protocol, set up the testate, dashboard, wallet, and mainnet. Phase 1 is to issue digital credit and upgrade the digital reserve system. Phase 2 and 3 is to start service on the decentralized transaction platform and Velo's external transaction platform. Phase 4 is to set up a reputation system and Velo decentralized settlement network. The roadmap is clearly planned, with a well-defined development direction. According to Velo official disclosure, the project is making progress following its plan.

#### ► Velo Development Roadmap

Source: Velo, TokenInsight

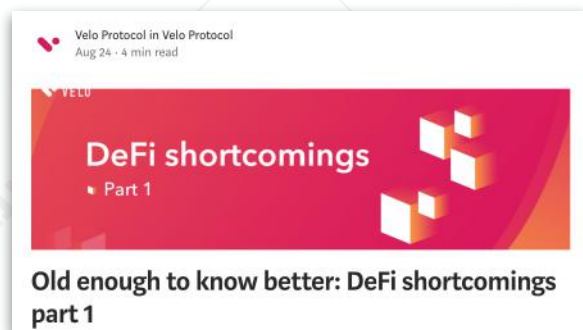
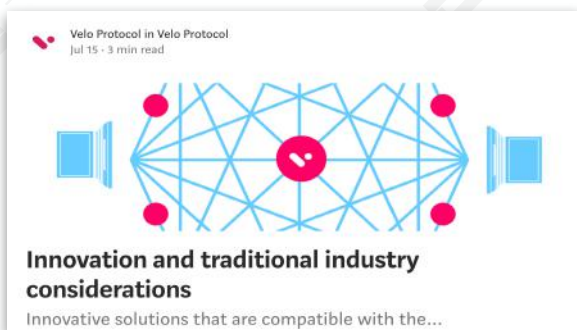


### 2.3.2 Operation Analysis

Velo started its content operation on media platforms on July 2020, and it has become active on the platforms since then. The postings and contents are mostly about project advertisement and blockchain market education including AMA reviews, hotspot discussion, and blockchain introduction. Below are examples of Velo’s posts. Currently, Velo does not have a systematic report of the project development schedule, for example, weekly and monthly reports, but such disclosure is on schedule.

► **Velo’s Postings on Social Media Platforms:**

Source: Velo, TokenInsight





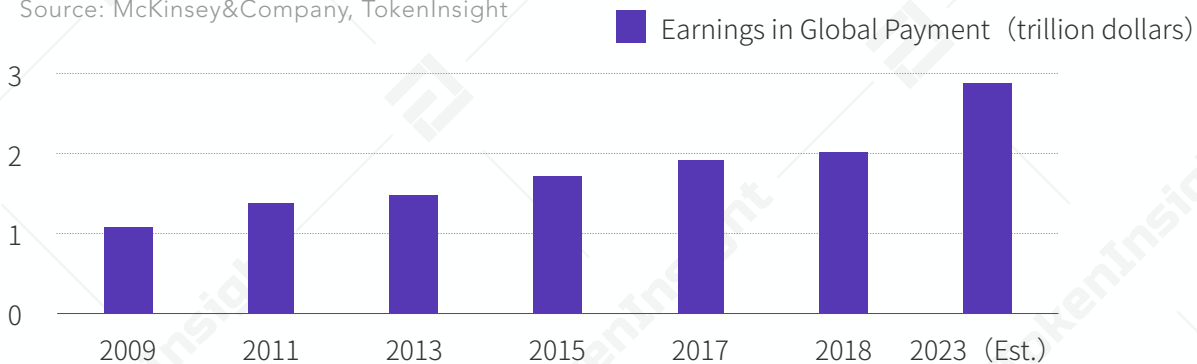
# 03.

## INDUSTRY & COMPETITORS

The traditional payment industry has a huge market with a steady growth. With the development of technology, many players with technology backgrounds joined the industry. Players from the technology field have advantages in connecting customers, attracting data flow, and improving the customer experience of their financial service by utilizing their technology strength, thus they have successfully taken some shares from traditional players in the payment and remittance industry. The rise of Fin-tech further merge technology and financial service, and the leverage of blockchain technology and cryptocurrency has propelled the development of many innovative solutions in the industry, expanding the industry and leading the trend of the market.

### ▸ Increase in Global Payment Market

Source: McKinsey&Company, TokenInsight



### 3.1 Industry Pain Points

In spite of the huge market and satisfying potential for future development, there are obvious troublesome issues in the industry, especially in the field of cross border remittance. The followings are a summary of the major issues in the payment industry:

1. High transaction fee: Centralized institutions usually require a high transaction fee from business and users of cross border remittance. According to the result of TokenInsight Research, the major international clearinghouse Visa as well as MasterCard induces almost 3% swipe fees. Major banks around the globe induce transaction fees ranging from \$20 to \$70 per transaction for cross border remittance service.
2. Low efficiency and low cross border interoperability: The cross border remittance transaction operated by SWIFT take nearly 4 business days. Meanwhile, the payment network is not operable between different countries, leaving the direct remittance transaction not approachable.
3. Security and Privacy: Centralized institutions own all the private data of their users. There have been a lot of scandals regarding institutions selling privacy information of individual customers.

## 3.2 Comparison of Competitors

The development of blockchain and cryptocurrency not only creates new market needs such as cryptocurrency remittance and on-chain value transfer, it also provides a new solution for the issues in the traditional payment industry. Velo and Lightnet are now focusing on the field of cross border remittance and payment where there are a great many competitors who can be divided into stable currency projects, cross border remittance projects, and projects for other payment scenarios.

### ▶ Introduction of Competitors

Company	Introduction
Simple Token	Simple Token is a protocol that aims to support major applications built on Ethereum. Any companies can create, start, and manage their own branding cryptocurrency economy. Its SaaS platform provides tools to manage, customize, supervise, and analyze the self token economy.
Terra	Terra, as a stable currency, is the blockchain protocol that supports programmable payment and open finance infrastructure construction. Terra allows functions such as deposit, wealth management, and payment on a variety of scenarios. Terra aims at low fluctuation and expansion of utilization, becoming interoperable with other payment projects.
Ripple	Ripple provides a solution to the issues in cross border payment, offering liquidity for the financial institution by needs. In the Ripple ecosystem, users do not need to deliver through a centralized agent to connect two different currencies, and the transaction can be completed within 3 to 5 seconds.
Reserve	Reserve aims to create a stably distributed stable currency and digital payment system. Its stable currency manages self-supply by needs to create a universal agent for value storage. As for the way to use, it is similar to fiat money or other tokens.

Source: TokenInsight

Because the value of a stablecoin is 1:1 anchored to the fiat money, its value can be well reserved and it is easy to use in reality. There are a great many players in the field of the stablecoin. Some of them are devoted to building a payment system, therefore are competitors of Velo. However, they are essentially different from Velo. Although their stable-value property is similar to the property of digital credit in the Velo network, digital credit in the Velo system is not circulated in the secondary market, but exists as a necessary element in completing the transaction.

The primary projects in the field of cross border remittance include Ripple and Stellar. Velo chose to construct its network based on Stellar, while there is an obvious competition between Ripple and Stellar. However, the market positioning of Ripple and Stellar is slightly different, and the composition of their ecosystem network is also different.

There are other projects in the industry focused on applications such as e-commerce payment and offline collection. These projects are featured on connecting business and building network, which is similar to Velo's emphasis of ecosystem expansion. Meanwhile, generally, these projects also allow users to join by a token collateral.

# 04.

## TOKEN ECONOMY

VELO is the token of the Velo project. It has completed the Token Generation Event in August 2020, and the total supply amount is 30 billion. According to the information disclosed by Velo, the amount introduced via exchange listings will be up to 200 million. The distribution plan of the overall project token is fairly clear. 10% of the tokens are kept by the founding team, and more than 42% are used as construction and development of the Velo ecosystem. In summary, the distribution of the token is reasonable with a clearly defined release mechanism.

### 4.1 Token Application Scenarios

The main function of the Velo token is to act as a collateral and the entrance to the Velo ecosystem network. All of the participants in the ecosystem need to deposit VELO token to exchange issuance of the digital credits. Thus, it is obvious that the VELO token is necessary in the ecosystem.

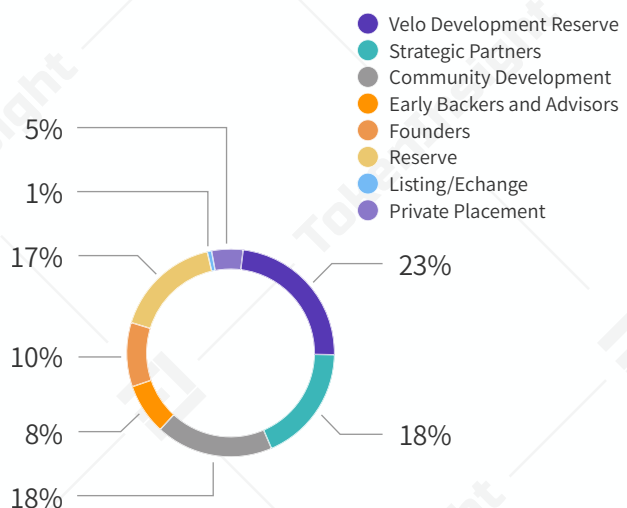
Because the project is focused on the need in the field of cross-border remittance in South-Eastern Asia, devoted to becoming the protocol layer to provide payment network resolution to the trusted partners in the cross-border payment ecosystem, and able to directly support the settlement of Lightnet's realization of business remittance, VELO token has great potential for growth in future need. Future application scenarios planned by the project will include adoptions in convenience stores, major supermarkets, and retailing sites. Velo aims to become the network node where users send and receive funds.

### 4.2 Token Distribution

More than 40% of VELO tokens are used in community construction and project development, in order to encourage and reward the participators, maintain the community ecosystem, and propel the future development and construction of the VELO project. Meanwhile, for the better settlement of the application scenario of the project ecosystem, about 26% of the tokens are used to satisfy the early supporters and strategic partners. The founding team kept about 10% of the tokens. Overall, the distribution of the token is reasonable.

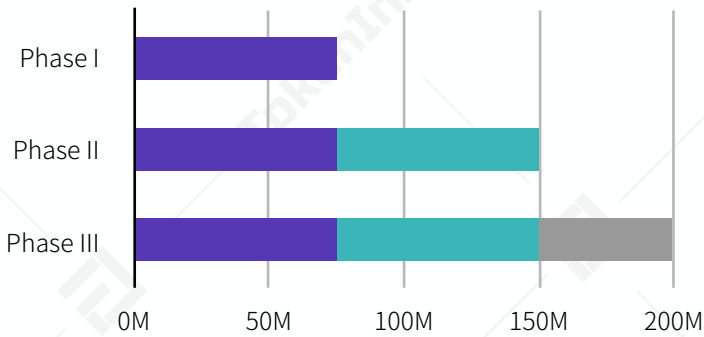
#### ▶ Velo Token Distribution

Source: Velo, TokenInsight



### ► Increase in Global Payment Market

Source: McKinsey&Company, TokenInsight

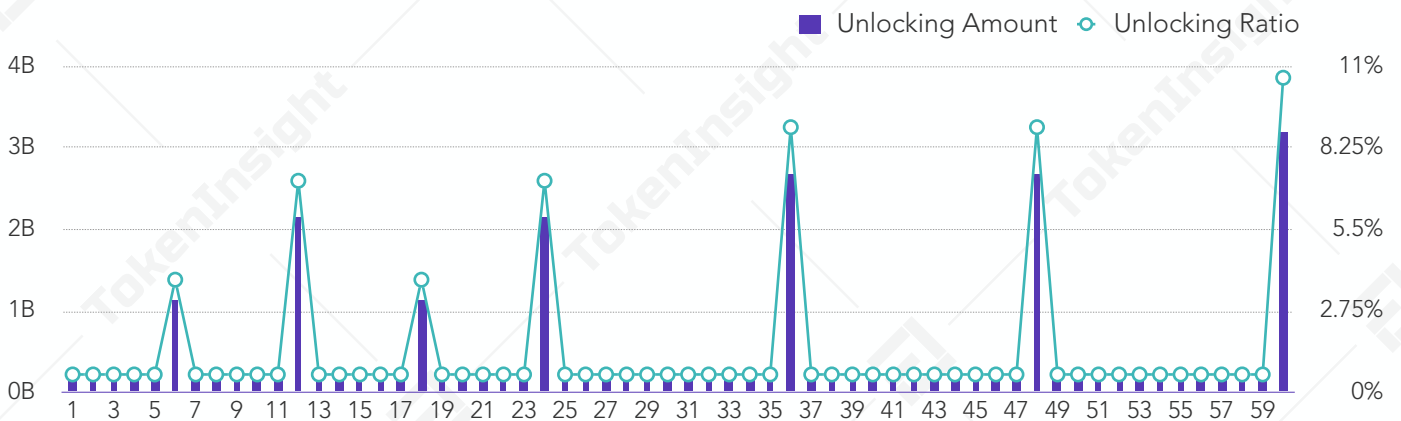


Velo token is not yet circulated in the market. According to the project developer, Velo is going to start its initial offering in mid-to-late September 2020. It is planned that the offering will be divided into three phases with 75,000,000, 75,000,000, and 50,000,000 tokens respectively, and 200 million in total, which is 0.67% of the total supply. None of the circulated tokens has a lockup period.

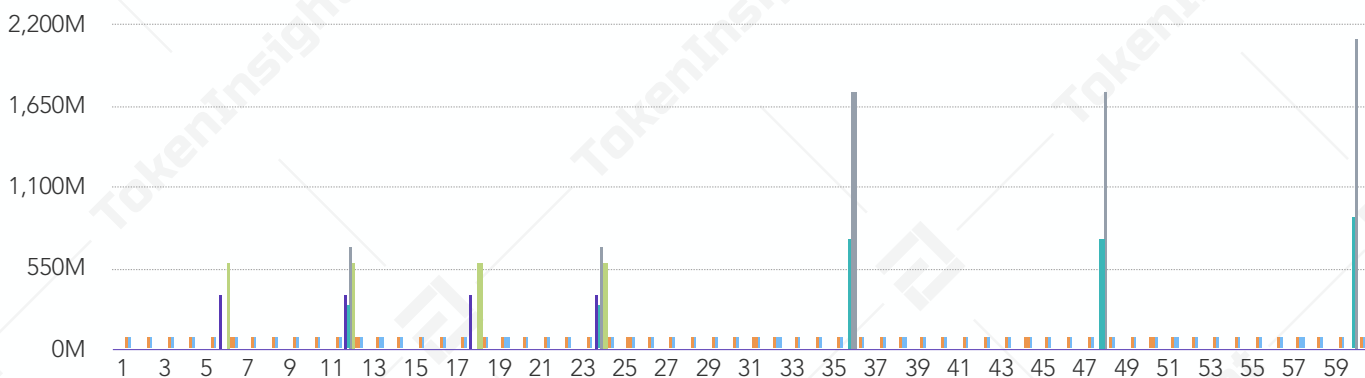
As for the release mechanism, the project provides a relatively transparent and detailed plan. Except for tokens for early investors which will finish the release in two years, other tokens used for project development, community ecosystem construction, strategic partner rewarding, and reserve for the founder team will be released in five years gradually, in order to propel the construction of the project steadily. Moreover, the tokens used as a reserve will be locked up forever.

### ► Unlocking Mechanism

Source: Velo, TokenInsight



- Private Placement
- Founders
- Velo Development Reserve
- Early Backers and Advisors
- Strategic Partners
- Community Development



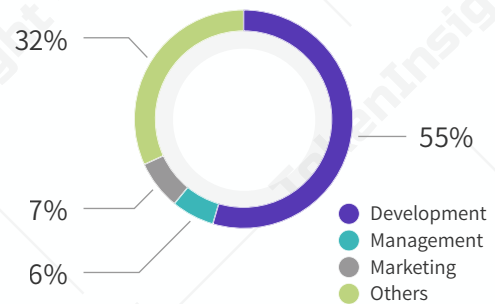
# 05. TEAM AND PARTNERS

## 5.1 Core Members

Velo has the support of 110 staff. All the core team members have more than 10 years of finance and management experience, and some members have digital economy background. The proportion of development technicians is 55%, meaning sufficient resources, while the marketing personnel counts 7%. As disclosed by Velo, the background of its core team is competitive.

### Team composition

Source: Velo, TokenInsight



Chatchaval Jiaravanon  
Chairman

Mr. Jiaravanon is the Chairman of Velo. He is a member of the board of directors at True Corporation, a Thailand telecom company. Chatchaval is a family member of the CP Group. He has more than 20 years of experience in public and private business administration and has founded several financial services companies including Aeon Thana Sinsap, a consumer finance company and Finansia Syrus, a securities house. He is also the current owner of US based Fortune Magazine.

Mr. Arunanondchai is the Vice Chairman of Velo as well as the CEO of Lightnet. He is also the Co-Founder of Money Table Public Company Limited, a payroll on-demand start-up. Tridbodi is a Venture Partner of Indonesia-based Kejora Venture and an ex-committee member of Thailand Internet Sharing Policy under the Ministry of Digital Economy. He holds a master's degree in management science and engineering as well as an MBA from Stanford University.



Tridbodi Arunanondchai  
Vice Chairman



Suvicha Sudchai  
Head of Products

Mr. Sudchai is the Chief Product Officer. With more than 10 years of experience as a digital and innovation executive, he has been focusing on Agile product development and enterprise architecture in the financial services industry. Suvicha was the Head of Innovation at Krungthai Bank and a Managing Director at Digital Ventures, a subsidiary of Siam Commercial Bank.



Ilya Zusman  
Digital Finance Director

Mr. Zusman is the Digital Finance Director. He was a Director in the structured finance group at VTB Capital and a board advisor at the Russian Direct Investment Fund, RDIF. He was an Executive Director at the emerging market structuring and trading desk at Goldman Sachs in London. He holds an MBA degree from the MIT Sloan School of Management.



Michael Cowans  
Commercial Advisor

Mr. Cowans leads Lightnet's worldwide sales organization. He has held senior management positions with several enterprise software and technology companies such as Ripple, CipherTrace, IBM, Fiserv and HP/Autonomy. Mr. Cowans has more than 10 years of management, marketing and sales experience.



Gaurang Desai  
Economics Advisor

Mr. Desai is the Head of Finance and Treasury at Lightnet. He was a Senior Quantitative Strategist and a Risk Officer at CPB Equity in Bangkok. Desai was also a senior executive in the Asset-Liability Management & Credit Risk at AIG in New York. He has more than 10 years of experience in finance, including securitization and quantitative trading. Mr. Desai holds a Masters in Financial Engineering degree from University of California, Berkeley and a bachelor's degree in mechanical engineering and economics from MIT.



James Wu  
Lead Architect

Mr. Wu is the Lead Architect at Velo and the Vice President of Engineering at Interstellar, responsible for technology initiatives. He was a Senior Engineering Manager at LinkedIn and a Senior Implementation Architect at Guidewire. James was also a Senior Manger at Ernst & Young, where he advised clients and managed engagement teams on large-scale system integration projects. He holds a bachelor's degree in electrical engineering and computer science from University of California, Berkeley.

## 5.2 Team of Consultants

The consultants at Velo have solid professional backgrounds, including some well-known experts in the blockchain industry and professors from some of the most famous universities. There are currently 4 members on the team.



Jed McCaleb

Co-founder of Stellar  
Founder and ex-CTO of  
Ripple Labs



David Mazieres

Co-founder and Chief  
Scientist at Stellar  
Professor of Computer  
Science, Stanford  
University



Robert Townsend

Professor of Economics,  
Massachusetts Institute of  
Technology



John Ng Pangilinan

Founder and CEO at  
Signum Capital

## 5.3 Strategic Investment Institutions and Partners

With the support from Lightnet and other partners, Velo has a good foundation for the construction of its ecosystem network. Meanwhile, Lightnet can also provide funding and strategic cooperation opportunities. Velo and Lightnet have received strategic investments from many institutions and have started a cooperation with several institutions in the field. As a whole, the project is funded well, and there is great expectation for the future construction of its ecosystem, the trend of development seems to be consistent.

### ▶ Selected Investment Institutions and Strategic Partners of Velo & Lightnet

Source: Velo, TokenInsight



DU CAPITAL

HASKEY

### ▶ Selected Partners of Velo & Lightnet

Source: Velo, TokenInsight



# 06.

## COMMUNITY ANALYSIS

According to the observation of the Velo project community by TokenInsight, by September 16, 2020, there are 8,162 followers on Twitter and 116 posts. The official Telegram account has three platforms in three languages including Chinese, English, and Korean, altogether with 18,968 community members. The number of WeChat followers is 2,368. Considering that Velo's community operation started in the beginning of July, Velo's community popularity has experienced a good growth. But as a whole, it is in a relatively early stage in terms of community operation and social media popularization.

### ▸ Velo Social Media Followers

	Social Media	Followers
1	Twitter	8,162
2	Telegram	18,968
4	Kakao	568
5	Medium	60

Source: TokenInsight, September 16, 2020

As for website visiting and searching, there have been fewer than 5,000 visits to the Velo official website, but the number of visits in July has increased from that of June, showing great recent progress in this issue. Moreover, the number of related results from Google search is satisfying, with a good amount of media exposure and the growing flow of network traffic.

### ▸ Velo Visit Popularity

	Parameter	Quantity
1	Visits per month	<5,000
2	Goggle Search amount	2,870,000

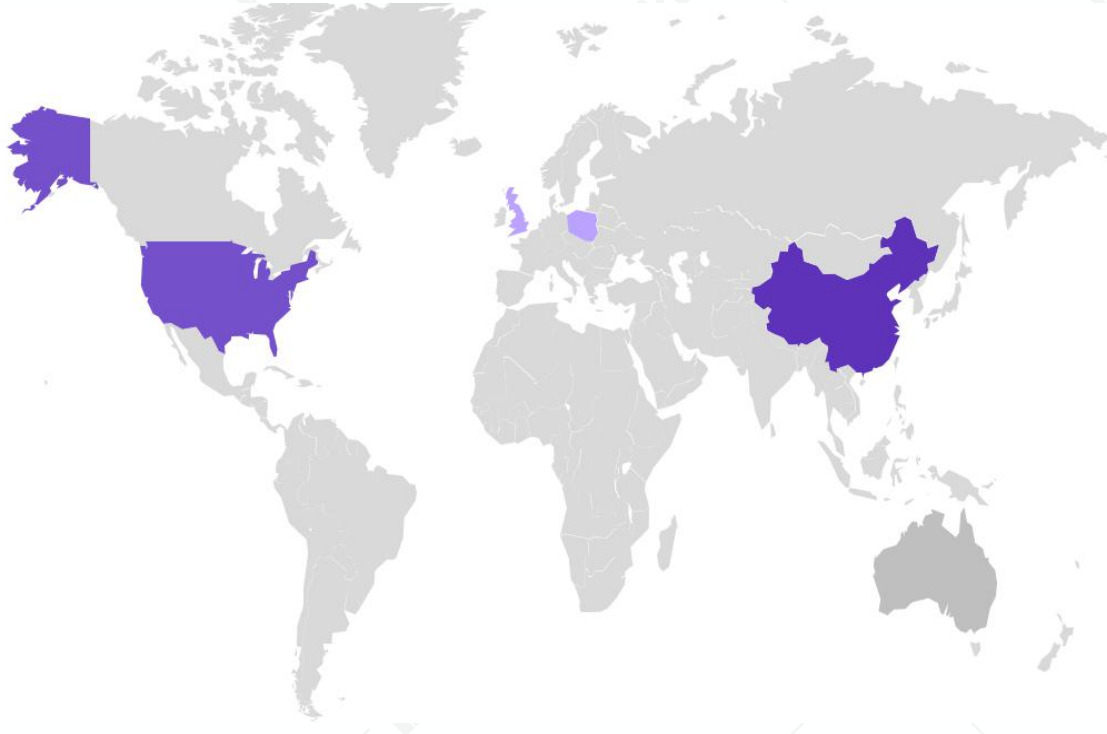
Source: TokenInsight, Similarweb, Google, September 16, 2020

The distribution of Velo's visiting address is even. Mainland China takes the greatest proportion, reaching 29.69%. The majority of visits to the Velo website come from China and the U.S., while some are from the Europe. As a whole, the number of website visits is lower than 5,000, but to some extent, the data shows that Velo has a good base for future globalization.



▶ **Percentage Of Traffic Send By Top 5 Countries**

Source: SimilarWeb, TokenInsight



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## Symbols and Definition of Risk Ratings

- AAA** The technical foundation is extremely solid, the status of operations is extremely stable, the extent of influence on the project by unfavorable changes in the environment or uncertain factors is extremely small, and risk is extremely low.
- AA** The technical foundation is very solid, the status of operations is very stable, the extent of influence on the project by unfavourable changes in the environment or uncertain factors is very small, and risk is very low.
- A** The technical foundation is solid, the status of operations is stable, the extent of influence on the project by unfavourable changes in the environment or uncertain factors is relatively small, and risk is relatively low.
- BBB** Technical feasibility is very good, the status of operations is stable, influence on the project by unfavourable changes in the environment or uncertain factors exists to a certain extent, and risk is controllable.
- BB** Technical feasibility is good, the status of operations is relatively stable, the possibility of influence on the project by unfavourable changes in the environment or uncertain factors exists to a relatively large extent, and risk is basically controllable.
- B** Technical feasibility is moderate, the status of operations is relatively stable, the possibility of influence on the project by unfavourable changes in the environment or uncertain factors exists to a very large extent, and risk is to a definitely limited extent controllable.
- CCC** The technical foundation or idea has certain problems, the application scenarios are limited, the project is susceptible to influence by uncertain factors, both internal and external, and has relatively large risk.
- CC** The technical foundation or idea has considerable problems, and application scenarios are highly limited, which makes for a project that has few internal or external factors to consider in the context of sound development, and carries a very large risk.
- C** The technical foundation or idea has substantial problems, and lacks deliberation upon possible application scenarios. The token has almost no usage value, and the project suffers from extremely large risk.
- D** The project is riddled with problems and carries an extremely high risk of failure.

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