Parallel to the emergence of cryptocurrencies, following the credit crisis of 2007, the public’s trust towards credit providers and authoritative institutions was severely damaged. The negative effects of this are still prominent looking at the indicators of commercial banks (constantly decreasing LTD indicator). While looking for better options, they found increasing interest among cryptocurrency holders. More and more banks throughout Europe are opening up towards customers dealing in crypto, but due to technological impediments, these services are mainly debit-based. The demand for Inlock’s services is even greater in developing regions. The goal of our platform is to provide a secure, decentralized and trustless collateral management solution that offers the necessary technical background for our lending partners. Using our services, they can offer fiat loans no more complex than current lending processes, without having to deal with collateral management, yet knowing that the collateral is locked in a smart contract. Lending partners receive all loan requests that fit their criteria, and are free to place offers.

Motivations and incentives of the Lending Partner
Regardless of the outcome of the contract, our lenders enjoy a 100% collateral guarantee. Lenders only make fiat transactions throughout the duration of the contract. They own neither the crypto locked as collateral, nor the ILK tokens paid as reward for the contract, ensuring that they do not have to account crypto values in their books. The only incentive for the lender is the interest in correlation to the predefined APR%, which they receive at the expiration of the contract either from the borrower or, in case of a missed loan repayment, from the Collateral Manager partner. For the lender, the loan provided through the INLOCK platform constitutes a short-term consumer loan, for which the payment is provided by a third, independent party.

What preferences could a Lending Partner have?
• He can specify certain regions and nationalities to whom he wants to provide loans. The Inlock platform undertakes full KYC of every borrower registering with us and shares the data with the lending partner, with the borrowers’ prior permission.
• The lending partner may conduct a secondary (his own) KYC if he wishes to do so. This could involve the use of custom KYC processes, custom advanced level (video banking) online KYC, or even in person at the branch office of the lender’s bank. The KYC measures taken by lending partners depend on the requirements of their own authorities.

• The lending partner may specify which Collateral Managers (CM) they want to work with (this can be on a regional basis, or even commissioning a specific collateral manager). This allows the lender to have his own CM manage all the collaterals related to all his running contracts.
• The lending partner may specify which Payment Providers (PP) they want to work with (this can be on a regional basis, or even commissioning specific payment providers.
• This allows the lender to have one PP provide fiat liquidity for all the loans they manage. The platform allows lending partners to also be payment providers.
• The lending partner may specify the currency and the minimum value of the loan they provide.

Lender highlights: 100% backed loans with guaranteed 105.01% LTV (loan to value) ratio for every contract to manage these extremely volatile assets. The platform provides short-term liquidity - from 10 to 180 days.
• Average contract duration: 62.85 days
• Average overcollateralization: 205% (simulation)
• Annual total loans served: ~$2 billion
Calculating with a 5-6% APR rate, the forecasted income from interest is $110-150 million. The average value of the contracts is $84,000.
Who can become a Collateral Manager?
Basically anyone, although in some countries the fulfilment of this role is bound by various licenses. In Estonia for example, obtaining a crypto-fiat exchange license is mandatory in order to become a CM.

How is the CM motivated?
• After contract completion, he receives 30% of the ILK reward for all collateral managed by him (based on current pricing, this is 0.03% of the collateral value in USD at the time of collateralization).
• Liquidation has to begin at a margin call +5% to give him room to deal with any sudden market crisis. The difference between the margin call and the extra 5% is the CM's reward.
• The Inlock platform charges various other collateral-related fees, of which 30% of the ILK costs go to the CM.

The CM manages the customers' collateral and executes all tasks delegated to him in the contract.

What makes the CM’s role trustless?
• All collaterals are stored in a multisig wallet, from which funds can be transferred on a 3 out of 4 basis. The signers are the following: borrower, CM, DSBM, Smart Contract.
• The DSBM (Delegated Supervisory Board Member) fulfils the role of an oracle in case of a dispute.
• For every collateral order, a smart contract is created. The point of a smart contract is that it contains exactly what the parties had agreed upon, time stamped and signed by the parties, serving as solid proof in case of a dispute.
• The CM is not in possession of the borrower's crypto. The CM holds and manages his own private stake, selling his own crypto on behalf of the customer when liquidating a position, and can only reimburse it from the customer's multisig wallet if two other parties sign that he acted in accordance with the contract.
• The CM is not allowed to manage more crypto than the stake he holds in the hot wallet.
• CMs have to provide view access rights to their hot wallet, through which the platform can actively monitor their stake balance.
• The CM is in no way incentivized to cheat, because by doing so he would receive neither the reward (ILK share), nor the collateral from the multisig wallet.

In which scenarios does the CM have to take action?
Accepting collateral. Collateral order closure: In case of Margin Call (liquidation of all crypto in the contract), repayment of lender, missed loan repayment partial crypto liquidation, repayment of lender; in case of loan repayment, the collateral is given back to the borrower. Collateral management: Bringing in extra collateral; partial collateral removal; complete collateral swap (for example swapping Bitcoin collateral to Ethereum during a running contract).

Collateral Manager (CM) business highlights: Based on our current simulations, 7.9% of contracts should be terminated because of market volatility and the lack of contract management by the Borrowers. CMs are able to generate income from these actions, reaching almost $35 million US on average. In addition to being rewarded for terminating contracts, CMs also get income through ILK rewards: around $5.16 million US annually. That total income from CM related activities results in a ~9% interest rate for CMs own collaterals.

What preferences could a CM have?
The CM is able to define/exclude regions where he offers services taking into account FATCA and banking limitations/regulations.
• CM can specify what types of lenders he provides service for exclusively (typically when a bank commissions one of its partners to provide the service)
• He can specify exclusively which cryptos he accepts as collateral (usually depending on hot wallet type)
• He can specify request parameters: minimum/maximum collateral/contract, minimum/maximum contract duration, minimum/maximum stake
Matchmaking service role overview, opportunities, requirements

Matchmaking service providers are one of the most important actors of the INLOCK ecosystem, who ensure the influx of new customers through various channels. Typical matchmakers could be: Wallet service providers, exchanges, mobile payment institutions, crypto-based debit service providers who are opening up towards credit, etc.

What exactly is the job of the Matchmaking Service Provider? (MSP)

His role is to connect his own customers with INLOCK’s outsourced partners through the API (payment providers, collateral managers, lenders). When a loan is accepted, it is the MSP who initiates contract creation using the INLOCK Smart Contract Factory. Since there are no KYC requirements towards the MSP, he is not obliged to perform KYC on his own customers, although skipping this step would result in substantially fewer offers from lenders. The lenders who do make offers will most likely use their own KYC processes. Those MSPs who do not have their own KYC processes can use INLOCK’s own opt-in KYC solution, through which the MSP only receives a unique KYC identifier number. Doing it this way saves them from handling personal data (see GDPR requirements).

Who can be a Matchmaking Service Provider?

Anyone who has a crypto-holder user base to whom providing short-term liquidity problem solutions with crypto collateral would be useful. In some countries, the matchmaking service may constitute credit intermediation service, which is activity regulated by a specific authority. Therefore, MSPs have to prove that they hold the required licenses specified by their authorities.

What are the motivations and incentives of the Matchmaking Service Provider?

For every successfully signed and disbursed contract, MSP’s get 10% of ILK tokens, payable after the contract. This amount is deposited in the MSP’s account immediately after the signing and disbursement process is complete, so MSP’s do not have to wait throughout the duration of the contract.

INLOCK Platform Profit Allocation

Parallel collateral hardcap (million US$)
Normal market 450
Extremely volatile market: 550

ILK Token supply: (million ILK)
Total issues 4400
Core locked to two years 440
Airdrops and marketing 220

Platform prices ILK%/contract:
Collateral lock: 0.25%
Modify existing contract: 0.65%
ILK token reference marketprice (US$) $0.01
Minimum LTV (Loan-to-Value) ratio: 105.01%
Average termination level (estimated) 102.50%
% of saved contracts with overcap (estimated) 60%
% of missing due date 20%

Simulated platform statistics:
Yearly total collateral circulation (mill US$) 5169.3
Annual number of contracts: 61208.62
Yearly total terminated contracts (mill US$) 413.1
% of terminated contracts by margincall 7.99%
Value of term conts by due date (mill US$) 1033.9

ILK distribution:
<table>
<thead>
<tr>
<th></th>
<th>Contracting</th>
<th>Contract modify</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS</td>
<td>1.3</td>
<td>0.4</td>
</tr>
<tr>
<td>CM</td>
<td>3.9</td>
<td>1.3</td>
</tr>
<tr>
<td>INLOCK</td>
<td>7.1</td>
<td>2.4</td>
</tr>
<tr>
<td>SB</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>SUM:</td>
<td>12.9</td>
<td>4.3</td>
</tr>
</tbody>
</table>

CM profit 9.9 2.19%
CM interest 24.7 5.49%

SUM: 8.83%
Supervisory Board and Delegated Supervisory Board Member
To become a DSB member, holders of the specified amount of ILK tokens must also have an Investor Prime identifier. During INLOCK’s private sale process, 100 of such identifiers were made, which will be issued to early investors of the platform. Owners of these rights are free to assign or sell them to other ILK token holders using a purpose-specific trustless smart contract. The Investor Prime right is not sharable or dividable.

Tasks and obligations of the DSBM:
- DSB members must independently check the work of Collateral Managers.
- In case of a dispute, DSB members have to formulate a solution based on the evidence provided. At the signing of every collateral management smart contract, 1 preferred and 2 reserve members are selected from the Supervisory Board. They will be the DSBMs of the contract. All necessary technical requirements are provided by the INLOCK platform, thus eliminating the need for any extra technical knowledge or experience for the successful fulfilment of the role.
- In case of a simple dispute, the primary DSBM has to provide the solution or, if he cannot make a decision, he passes the responsibility on to the reserve members. If the primary DSBM is not available within 24 hours, the decision responsibility is automatically passed on to the reserve members. Based on preliminary simulations, DSBMs seldom have to interfere with a contract, because a successful contract completion is in the best interest of all parties.

Rewards of the DSBM:
Supervisory Board Members are paid for their work at the end of every financial cycle. Financial cycle closing happens at the end of every quarter on the INLOCK platform. 5% of all running contracts’ ILK expenses get distributed between active DSB members based on how many ILK tokens each individual DSBM holds. This reward is paid even if the member did not have any tasks in the given period.

- Our mathematical models proved that during a bearish Bitcoin market sentiment, borrowers would feel motivated to take out loans, thus driving ILK token prices up.
- Last year, the amount of money invested in ICO’s has surpassed VC investments (ICO investments in the first two quarters this year have already doubled last year’s total investment amount) even though the market is in a 70% correction, this financing structure has proven to work well.
- INLOCK and its competitors increase the stability of cryptocurrencies, thus bringing us closer to mass adoption.

Supervisory Board highlights: INLOCK has found ways to solve important problems its competitors face, such as: having sufficient liquidity, trustless collateral management and easy to integrate solutions into other platforms using our API’s. We achieved this within a regulatory framework, opening up a unique gateway between crypto and the world of traditional finance.

Thanks to our institutional lending partners, our fiat liquidity pool isn’t likely to ever drain. This almost endless supply of available liquidity along with lenders competing for borrowers is what makes us unique among other players in the field of crypto lending.

- Almost all lending platform-type ICO's have reached the hardcap, which demonstrates the high demand for such services.
- These platforms are constantly being improved, which serves to illustrate the high demand for the service.
- INLOCK provides a lucrative investment opportunity to those wanting to benefit from the profit generated by cryptocurrencies, while avoiding the high risk that often characterizes crypto markets.
- Why is ILK worth holding on to? All early stage investors said they're buying to hold for long term, because they can see the enormous growth potential in it.
- As it becomes evident from the aforementioned platform roles; the ILK token forms an essential part of the INLOCK ecosystem. The growing acceptance and development of our platform is well represented by the high demand for our tokens.
ECONOMIC OVERVIEW OF THE MONEY AND TOKEN FLOW IN A SAMPLE LOAN CONTRACT PROCEDURE

**PREPARATION PHASE**
1. Borrower has 2.17 BTC and need 5040 USD for 3 months
   
   BORROWER: 8 ILK

2. Borrower deposits cryptocurrency
   
   BORROWER: 8 ILK

3. Buy 11000 ILK on INLOCK token market
   
   BTC balance: 2.1691
   Credit debt: 8 USD
   BALANCE 11000 ILK (TIM)

**LOAN REQUEST PHASE**
4. Record credit request on INLOCK.IO (FE)
   
   BTC balance: 2.1691
   Credit debt: 8 USD
   Balance 11000 ILK

5. Borrower accepts initial contract condition. Matching process started (FE)
   
   Basic contract conditions:
   - 2 BTC will be locked
   - current price: 6300 USD
   - preferred currency: USD
   - margin call: 40% of locked price
   - maximum available credit: 5040 USD
   - repayment due date: T+3 month
   - contract cost forecast: 1000 ILK (0.1%)

**MATCHMAKING PHASE**
6. INLOCK platform temporary locks contracted values (SCF)
   
   BTC Balance: 0.1691
   Temporary locked:
   - 8 BTC
   - 1000 ILK
   
   LENDERS
   - credit: 5040 USD
   - debt: 3242.6 USD (63.8%)
   - avg. lead time: T+2 days
   
   LENDERS conditions:
   - credit: 5040 USD
   - debt: 5342.6 USD (10.5%)
   - avg. lead time: T+0 days
   
   LENDERS conditions:
   - credit: 5040 USD
   - debt: 3758.6 USD (7.5%)
   - avg. lead time: T+2 days
   
   LENDERS conditions:
   - credit: 5040 USD
   - debt: 4202.5 USD (2.5%)
   - avg. lead time: T+0 days

7. INLOCK.IO
   
   Matching service propagates details of contract (MS)

8. Borrower selects Lender 3 Offer for contract (MS)
   
   LENDER 1 OFFER
   - credit: 5040 USD
   - debt: 3242.6 USD (63.8%)
   - avg. lead time: T+2 days
   
   LENDER 2 OFFER
   - credit: 5040 USD
   - debt: 5342.6 USD (10.5%)
   - avg. lead time: T+0 days
   
   LENDER 3 OFFER
   - credit: 5040 USD
   - debt: 3758.6 USD (7.5%)
   - avg. lead time: T+2 days
   
   LENDER 4 OFFER
   - credit: 5040 USD
   - debt: 4202.5 USD (2.5%)
   - avg. lead time: T+0 days

9. INLOCK.IO Smart Contract Factory (SCF)
   
   CONTRACT PREPARATION
   10. Deduct platform usage fee (EWM)
       
       BTC balance: 0.1691
       Credit debt: 0 USD
       BALANCE 7050 ILK
       Platform fee: 3350 ILK
       
   11. Store details of contract on the IB
   
   VERIFICATION & CONTRACT EXECUTION
   12. Transfer locked BTC to Collateral Manager (CM)
   
   13. Evidence lookup of Lenders payout (PP)
   
   14. Evidence lookup of that the borrower received credit (PP)
   
   15. Finalize contract (IB)

INLOCK

BTC balance: 0.1691
Credit debt: 5115.6 USD
BALANCE 7050 ILK

Transferred:
- Collateral: 2 BTC
- CM payment: 10% TBT (705 ILK)
- US payment: 50% TBT (335 ILK)

MS - MATCHING SERVICE
PP - PAYMENT PROVIDER
BM - BID MANAGER
IB - INTERNAL BLOCKCHAIN
SCF - SMART CONTRACT FACTORY
EWM - E-PLATFORM MANAGER