



# **Tokenized Physical Assets**

## **Chapter 1: Making gold available to the world**

whitepaper

“Gold is a constant. It’s like the North Star.”

*Steve Forbes, founder of Forbes.*

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# 1. Executive Summary

## 1.1. ERC20 TOKENS

### **AurusGOLD (AWG) is:**

- 1 gram of 99.99% LBMA-approved gold
- An ERC20 token deployed on the public Ethereum blockchain
- Backed by gold bullion sitting securely in a specialized, fully insured, and audited vault
- Created by an established and approved gold trader located in Western Europe, Australia, the US, or Canada
- Fully backed by gold bullion, traceable through a Smart Contract
- Redeemable to physical gold at any time
- 100% liquid to fiat money or physical gold bullion

### **AurusCOIN (AWX) is:**

- An ERC20 token deployed on the public Ethereum blockchain
- Limited to 30,000,000 tokens
- Entitled to a proportional share of 70% of transaction fees and annual fees generated by AurusGOLD (AWG), paid out in AWG.

## 1.2. OUR VISION OF GOLD AS A CRYPTOCURRENCY

AurusGOLD is well positioned to succeed as a gold-backed token on the Ethereum blockchain because it fully meets the definition of money. AurusGOLD starts with gold's unmatched history as a store of value and a unit of account. By adding the advantages of cryptocurrencies as a medium of exchange, AurusGOLD is designed to be the perfect currency.

## 1.3. AURUS FEES AND THE DISTRIBUTION OF FEES

While a long-term vision is essential, we also know that reasonable fees are crucial to success in the present. The Aurus fee for tokenizing gold is 0.5%. All tokenization fees for AurusGOLD (AWG) are collected by Aurus Ltd. (UK). Aurus charges a 0.015% transaction fee for AurusGOLD, and there is a maximum annual storage fee of 2%. This fee is based on the level of KYC and amount of bullion held on account. Transaction fees and annual fees from AWG are split as follows: 70% to AurusCOIN (AWX) holders, and 15% to Vault Partners, 15% to Provider Partners. Aurus charges no annual fees or transaction fees for AurusCOIN (AWX).

## 1.4. THE GOLD MARKET

AurusGOLD begins with a strong base in the gold market. AurusGOLD was designed to meet the high standards of gold investors. Only gold that comes from LBMA member refineries can serve as AurusGOLD. Additionally, our decentralized Vault Partnership structure protects gold investors from idiosyncratic risks. The Vault Partnership structure also enables local vaults that gold investors trust to remain competitive with the centralized vaults used by

other gold-backed cryptocurrencies. Similarly, Distributor Partnership helps existing physical gold distributors remain competitive and gives AurusGOLD broader distribution.

### **1.5. THE WEB AND MOBILE PAYMENTS MARKET**

The web and mobile payments market is dominated by network externalities, so starting with a base in the gold market helps AurusGOLD immensely. Since AurusGOLD has the stability of gold, consumers searching for a more stable cryptocurrency are another group of potential early adopters. As gold investors and stability seekers adopt AurusGOLD, merchants will become more willing to accept it directly as payment.

### **1.6. THE CRYPTOCURRENCY MARKET**

The stability of AurusGOLD (AWG) is likely to attract more users during declines in the overall cryptocurrency market. That will increase the revenues that AurusCOIN (AWX) receives from AurusGOLD (AWG) fees, which will probably send the price of AurusCOIN (AWX) higher. The countercyclical strength of AurusGOLD (AWG) and AurusCOIN (AWX) should make them attractive to cryptocurrency investors, traders, and exchanges. The fact that AurusCOIN (AWX) operates more like a traditional business and generates income could also prove a draw for cryptocurrency investors. Additionally, the ability of AurusGOLD (AWG) to preserve purchasing power make it an excellent choice for protecting funds raised in ICOs.

### **1.7. AURUS ETHEREUM TOKENS**



Aurus has secure token minting and burning procedures so that each AurusGOLD (AWG) token is fully backed by one gram of 999.9 gold which is exclusively provided by LBMA member refineries. Only approved Provider Partners (professional gold traders of the highest integrity) are capable of initiating the AWG minting process, and new tokens are only minted after the gold is audited and accepted by approved Vault Partners. When gold is withdrawn from the AurusGOLD system, the appropriate number of AWG are burned.

### **1.8. FUTURE PLANS**

Aurus is in the tokenization business. The technology behind Aurus is very versatile allowing us to expand and incorporate other commodities in the future. Hence streamlining the commodity trading business.

### **1.9. CONCLUSION: A MARKET BASED GROWTH STORY**

AurusGOLD will be able to attract users and enrich investors by offering a cryptocurrency with gold-backed stability. Ultimately, Aurus is in the business of tokenization-as-a-service and will be able to continue to grow by tokenizing commodities and other goods.

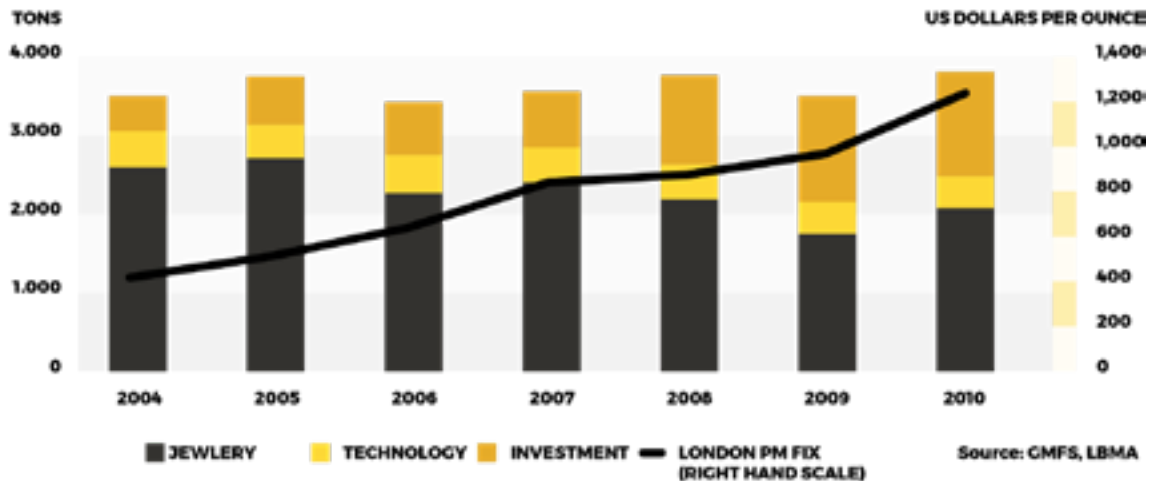
# 2. Our Vision: Tokenized Gold as Cryptocurrency

## 2.1. CURRENCY AND THE DEFINITION OF MONEY

What is money? Answering that simple question explains why so many currencies fail and why some succeed. Most economics textbooks use a definition derived from Jevons (1875) to define money as a store of value, a unit of account, and a medium of exchange.

## 2.2. THE FAILURE OF FIAT AS A STORE OF VALUE

Fiat currencies have failed as a store of value. The US dollar has lost approximately 97% of its purchasing power in relation to gold in the nearly 50 years since the United States went off the gold standard in 1971 (LBMA, 2018). The euro has lost over 75% of its value on a gold basis since the single European currency debuted in 1999 (LBMA, 2018). No fiat currency has maintained its value against gold in the long-run.



### 2.3. THE FAILURE OF PURE CRYPTOCURRENCIES AS UNITS OF ACCOUNT

The most successful pure cryptocurrencies, such as Bitcoin and Ethereum, have appreciated in price substantially. They have been far better stores of value than fiat currencies during the few years that they have existed. However, they are so unstable in price that they cannot be used as units of account. Most goods continue to be priced in fiat money.

### 2.4. THE FAILURE OF PHYSICAL GOLD AS A MEDIUM OF EXCHANGE

Gold has served as a store of value for over six thousand years, making it the best long-term store of value. What is more, gold also makes an excellent unit of account. When fiat money fails, we usually revert to accounting on a gold basis. We did so ourselves earlier in this paper to illustrate the decline of the

US dollar and the decline of the euro.

Where physical gold fails is as a medium of exchange. Gold is so valuable that it cannot be subdivided into small enough parts for use in everyday transactions. Furthermore, most transactions today are conducted electronically, and physical gold cannot be used directly.

## 2.5. AURUSGOLD: THE DEFINITION OF MONEY

By creating gold-backed tokens, Aurus seeks to add the advantages of cryptocurrencies to the advantages of physical gold. In theory, AurusGOLD will be an excellent store of value and will even be able to serve as a unit of account because it is backed by physical gold. As a token on the blockchain, AurusGOLD will also serve as a medium of exchange by allowing the division of a gram of gold to 18 decimal places and enabling decentralized electronic transactions using gold.

	Store of Value	Unit of Account	Medium of Exchange
AurusGOLD Tokens	Yes	Yes	Yes
Physical Gold	Yes	Yes	-
Pure Cryptocurrencies	?	-	Yes
Fiat Money	-	Yes	Yes

Although other cryptocurrencies have attempted to combine the advantages of gold with the advantages of pure cryptocurrencies, all of them have been too centralized, or attempted to play too many money games to cover costs or make profits.

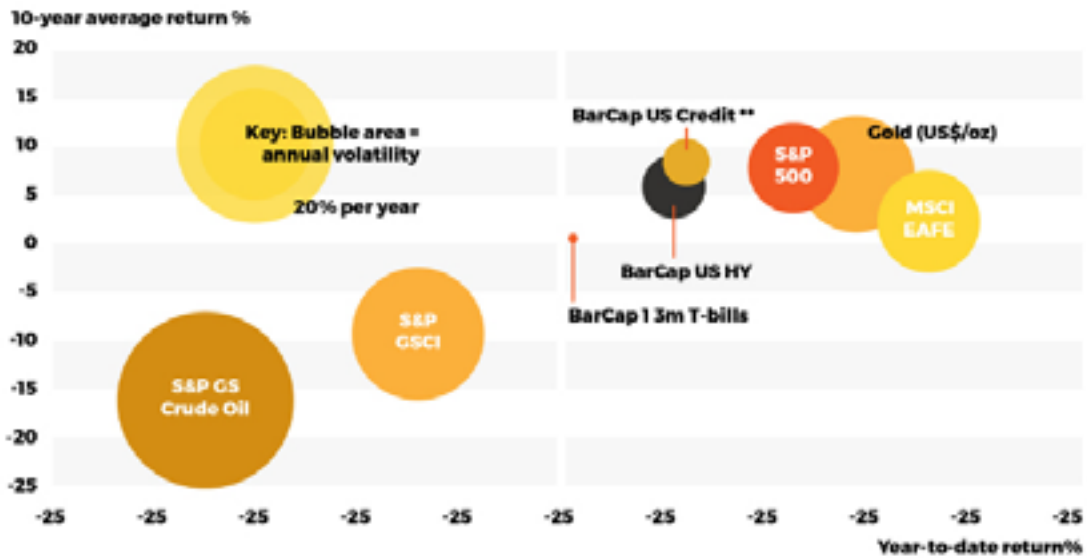
## 2.6. FRIEDMAN'S K-PERCENT RULE: GOLD AS IDEAL MONEY

We have seen that AurusGOLD fully meets the definition of money, but is it the best possible money? According to Nobel prize-winning economist Milton Friedman, the ideal money supply would grow by a fixed percentage each year (Friedman, 1960). This is known as Friedman's k-percent rule. Gold follows Friedman's k-percent rule fairly well in actual practice, while fiat money and pure cryptocurrencies fail. The money supply for fiat currencies expands and contracts erratically, mostly for political reasons. The most successful cryptocurrencies were designed to have continuously decreasing money supply growth rates. This is one of the reasons for price instability in cryptocurrency markets and the failure of pure cryptocurrencies as units of account.

## 2.7. THE UNTAPPED POTENTIAL: THE DEPTH OF THE GOLD MARKET

The instability in pure cryptocurrency prices when there is a surge in their use highlights the dangers of a temporary shortage of money. Fortunately, the global gold market is incredibly large and deep. All the world's gold has a market value of over six trillion US dollars. In March 2018, the total market capitalization for all cryptocurrencies combined was only 281 billion US dollars according to CoinMarketCap (2018). AurusGOLD has multiple links to the global gold market that ensure that the price of a unit of AurusGOLD will not go far from the price of a gram of gold in the over-the-counter market.

Gold actually trades more than many other financial assets, with daily trading volumes between 67 and 150 billion US dollars according to the World Gold Council (2017).



## 2.8. TOKENIZING THE WORLD

Gold is just the beginning. The full value of tokenized gold will only be realized when consumers can use it to buy other goods directly on the blockchain. We believe that the general direction of the world economy is toward tokenization using distributed ledger technology, and recent research by Baum (2017) supports this view. By establishing a strong gold-backed cryptocurrency early on, Aurus will be well positioned to tokenize silver and other commodities in the future.

# 3. Aurus Fees and the Distribution of Fees

## 3.1. LOWER FEES IN THE FUTURE

All fees on the Aurus Platform are subject to change. The current fees are necessary to cover present-day costs and win support from vaults and investors. Fees can be lowered once mass adoption takes place, just as annual fees have fallen for credit cards and mutual funds. The entire Aurus system will benefit from lower cost transactions backed by higher AurusGOLD (AWG) volume. However, fee values will be capped through Smart Contract conditions and can never be higher than these predetermined caps.

## 3.2. DISTRIBUTION OF FEES TO INVESTORS AND PARTNERS

All tokenization fees for AurusGOLD (AWG) are collected by Aurus. Transaction fees and annual fees from AWG are split as follows: 70% to AurusCOIN (AWX) holders, 15% to Vault Partners, and 15% to Provider Partners.

## 3.3. SENSIBLE TOKENIZATION FEES

Aurus tokenizes gold bullion and mints new units of AurusGOLD (AWG) for a sensible fee of 0.5%.

### 3.4. LOW TRANSACTION FEES FOR AURUSGOLD (AWG)

Aurus charges a modest transaction fee of 0.015% or 0.05 AWG (whichever is greater) to the initiator of each transaction involving AurusGOLD (AWG). There are also Ethereum related fees but we have implemented a feeless structure for AurusGOLD (AWG) in which we allow users to use our service without paying any Ethereum transaction fees. Fees will scale according to the growth of the protocol.

### 3.5. REASONABLE ANNUAL FEES FOR AURUSGOLD (AWG)

Aurus also charges an annual storage fee of max 2% per year (based on level of KYC and amount of bullion on account) for each AurusGOLD (AWG) in circulation which is calculated using a daily time factor of 0.00547945%. This fee helps to pay for storage, insurance, and regular independent (external) auditing. Due to the structure of Ethereum tokens and wallets, Aurus can only collect the annual fee when the token is transferred because charging a monthly fee breaks the business models of many market participants, so the transaction fee practically includes the annual fee.

A simple formula is used to calculate and collect outstanding annual fees whenever a transaction occurs. Suppose that a new AWG holder initially receives 100 AWG on July 1, 2018. She then decides to send out 10 AWG on January 1, 2019. The annual fee would be calculated as follows:

**$1/2$  of a year x 2% per year fee x 100 AWG = 1 AWG annual fee**

This is the formula used in the smart contract:



**$(\text{currentTimestamp} - \text{previousTimestamp}) * \text{yearlyFee} * \text{walletBalance}$**

So, the AWG holder would send 10 AWG, pay 1 AWG for the annual fee, pay 0.05 AWG as a transaction fee, and be left with a remaining balance of 88.95 AWG. Note that the annual fee is applied to the entire balance, while the transaction fee is applied only to the amount transferred. The annual fee is also collected whenever AWG holders receive AWG, while transaction fees are only paid by senders.

After 50 years, accumulated annual fees for AWG will reach 100% if no transactions are made. At that point, the outstanding annual fees will be automatically collected and the entire AWG balance for that address will be distributed to AWX holders, Vault Partners, and AurusGOLD. Given that gold has returned an average of over 7% per year in US dollar terms since 1971, AurusGOLD holders who make at least one transaction every year have an expected annual return of approximately 5% in US dollars.

### 3.6. REALISTIC WITHDRAWAL FEES

The fees for exchanging gold is dependant on the Provider Partner which is

facilitating the exchange

It should also be noted that any outstanding annual fees will be automatically collected when AurusGOLD is withdrawn from the system.

All Vault Partners are established and respected businesses. The withdrawal of gold is therefore subject to the Know Your Customer and Anti Money Laundering procedures carried out by the Vault Partner before withdrawal.

### **3.7. NO ADDITIONAL FEES FOR AURUSCOIN (AWX)**

There are no additional transaction fees or annual fees for AurusCOIN (AWX). However, AWX holders must still pay Ethereum related transaction fees.

# 4. The Gold Market

## 4.1. GOLD INVESTORS

AurusGOLD was created to meet the standards of demanding gold investors. We made every effort to create a blockchain version of holding gold.

### 4.1.1. AurusGOLD is backed fully Audited Gold

AurusGOLD (AWG) is an ERC20 token backed by 1 gram of 999.9 gold (Gold is provided by LBMA member refineries, ensuring the highest quality.) It is created by experienced gold traders, known as Provider Partners, using the Aurus asset-tokenization protocol. As AWG are tokens on the Ethereum blockchain fully backed by gold, issuing new tokens into the market requires gold bars to be stored with an approved Vault Partner and audited. AWG is physical gold from a market standpoint, which means that it will maintain a stable value close to that of gold bullion (43.3 US dollars/gram as of March 2018). The value of AWG will remain close to the value of gold because of the ability of traders and individual investors to buy and sell gold between markets. The only gold capable of backing AurusGOLD (AWG) tokens is gold provided by LMBA member refineries.

### 4.1.2. AurusGOLD as an Inheritance

A multi-signature wallet mechanism allows AurusGOLD (AWG) holders to transfer their AWG to their heirs through lawyers that act as trustees or under power of attorney. Smart Contracts help to prevent fraud by keeping the funds

frozen after the transfer, and they give the initial wallet owner the capability to reverse the process for a specified time.

#### **4.1.3. Decentralized Vaults Provide Protection from Disaster**

Aurus is in the process of partnering with independent Vault Partners in various locations. Having gold in multiple locations protects investors from a variety of financial and natural disasters. If a Vault Partner is unable or unwilling to continue being a Vault Partner, they are required to transport all AurusGOLD to another partner vault. All AurusGOLD will continue to belong to AurusGOLD investors during this process. If there is a natural disaster in a particular location, the gold is insured. Investors will usually be able to withdraw gold from unaffected vaults in the event of a disaster. The benefits of decentralization will increase as Aurus takes on more partners. Decentralized vaults reduce idiosyncratic risks without reducing returns.

#### **4.1.4. AurusGOLD is Independent of Aurus**

Aurus has no claim on investor gold. Regardless of what happens to us, AurusGOLD always belongs to the gold investors. It is the property of the investor address from the beginning. The gold is physically stored by independent Vault Partners while the investor holds it. In the end, the investor is able to withdraw the gold from a Vault Partner.

#### **4.1.5. AurusGOLD Works with Local Vaults and Physical Gold Retailers**

Aurus plans to partner with many qualified local vaults. Most investors should eventually be able to withdraw gold from a location close to home.

Decentralization also means that investor gold holdings will be diversified rather than being concentrated in a single centralized vault that may be far from where the investor lives. Aurus also has plans to partner with physical gold retailers through our distributor partnerships. Distributor Partners will be able to sell AurusGOLD directly to the public. We support the physical gold retailers who have earned the trust of investors over the years.

#### **4.1.6. Decentralization Keeps the Price Close to Gold**

Our decentralized partnership structure also keeps the price of AurusGOLD close to the price of gold on the over-the-counter market. Aurus Provider and Distributor Partners have market incentives to sell off the surpluses and alleviate the shortages that cause price discrepancies. Centralized gold cryptocurrencies will continue to experience the same surpluses, shortages, and mispricing that characterize any centrally planned system.

#### **4.1.7. AurusGOLD Compared to Other Gold Backed Ethereum Tokens**

There are a number of gold-backed Ethereum tokens on the market or coming soon, and we believe that the following table best illustrates the advantages of AurusGOLD.

	Only LBMA approved gold bullion	Convertible to Physical Gold	Decentralized Vault Partners	Partnerships with Gold Distributors
Aurus	Yes	Yes	Yes	Yes
Digix	Yes	Yes*	-	-
GoldMint	?	?	-	-
Xaurum	?	Yes	-	-

Only LBMA approved  
gold bullion

Convertible to  
Physical Gold

Decentralized  
Vault Partners

Partnerships with  
Gold Distributors

\*only to 100 gram bars

## 4.2. GOLD VAULTS - VAULT PARTNERS

Vault Partners are responsible for safeguarding the physical gold bars, as well as managing the insurance. Vault Partners are crucial to the success of AurusGOLD.

### 4.2.1. Remaining Competitive

As new gold-backed cryptocurrencies are launched, gold is starting to flow out of traditional vaults and into the new cryptocurrencies. Many gold-backed cryptocurrencies, such as Digix, have already chosen a single preferred vault. Only Aurus offers multiple approved vaults the opportunity to become Vault Partners and profit from the move to cryptocurrencies.

### 4.2.2. Vault Partners Receive 15% of AurusGOLD Transaction Fees and Annual Fees

Instead of receiving fixed fees, Vault Partners receive 15% of the transaction fees and annual fees generated by the AurusGOLD system. Fees are distributed to the vaults proportional to the amount of gold they are storing. Vaults will receive fees each month based on the following formula:

$$F_T \times \frac{V_R}{T_S} \times 0.3 = V_R$$

FT - Total amount of transaction fees and annual fees collected in the past month

VS - The amount of gold stored (grams) by the vault

TS - Total available supply of AurusGOLD (grams of gold in the system)

VR - Total revenue distributed to the vault (in AurusGOLD tokens)

The fees are automatically distributed to the Ethereum addresses that identify the Vault Partners. These are the same addresses used by the Vault Partners to sign various transactions on the blockchain.

#### **4.2.3. Vault Partners Can Provide Additional Services**

Vault Partners are free to provide additional services (such as delivery) for extra fees. Vault Partners can directly collect fees for these services. The Vault Partners can specify payment in AWG or the fiat currency of their choice.

#### **4.2.4. Vault Partners Can Exit**

If business interests change, a Vault Partner can exit the AurusGOLD system after giving sufficient notice. The exiting Vault Partner will then physically transport all AurusGOLD to the vaults of other Vault Partners.

### **4.3. GOLD TRADERS - PROVIDER PARTNERS**

Provider Partners provide physical gold to the Aurus system, which allows new AurusGOLD (AWG) tokens to be created. Provider Partners also help keep the price of AWG close to the price of physical gold.

### **4.3.1. Opportunities to Profit from Arbitrage**

Provider Partners will be able to profit from discrepancies between the current price of AurusGOLD and the Net Asset Value (NAV) of AurusGOLD in the global over-the-counter market for gold. Whenever the price of AurusGOLD is sufficiently above the NAV plus the tokenization fee of 0.5%, Provider Partners will be able to profit by providing gold to the AurusGOLD system. The supply of gold then increases in the AurusGOLD system and the price of AurusGOLD falls toward the NAV. If the price of AurusGOLD is sufficiently below the NAV less the withdrawal fee, Provider Partners will be able to profit by withdrawing gold from the AurusGOLD system. The supply of gold then decreases in the AurusGOLD system and the price of AurusGOLD rises toward the NAV. Arbitrage ensures that the price of AurusGOLD remains near the price of gold bullion.

## **4.4. PHYSICAL GOLD DISTRIBUTORS - DISTRIBUTOR PARTNERS**

Aurus seeks to partner with the established physical gold distributors that investors trust.

### **4.4.1. Remaining Competitive**

Physical gold distributors could lose a substantial amount of business if their customers start adopting a more centralized gold-backed cryptocurrency like Digix. By becoming Distributor Partners with Aurus, independent physical gold distributors will be able to offer a gold-backed cryptocurrency and generate new business for their existing profit centers.



#### **4.4.2. APIs and Plugins for Easy Integration**

The web application provides a REST API for direct selling of AurusGOLD (AWG) tokens. We have also built a plugin for gold distributors to buy and sell AurusGOLD from their own websites, enabling them to more easily service their existing clients and to extend their reach to new ones.

#### **4.4.3. Ability to Buy and Sell at Their Own Prices**

All AurusGOLD (AWG) Distributor Partners certified by the Aurus Gold Consortium will be able to integrate Plugins and APIs that allow them to buy and sell AurusGOLD (AWG) tokens at their own prices and according to their own supplies. This widens the availability of AWG and contributes to maintaining a stable value.

#### **4.4.4. Opportunity to Trade AurusGOLD**

Distributor Partners are in a unique position to profit from trading AurusGOLD and help their customers in the process. Any Distributor Partner can withdraw large amounts of gold from AurusGOLD and pay lower withdrawal fees than small investors. They can then pass on some of the savings to their customers and offer additional services.

#### **4.4.5. Ability to Offer Additional Services**

Distributor Partners can also offer additional services. In particular, Distributor Partners are in a better position to take delivery from the Vault Partners than most individual investors. At a reasonable price, this service could prove popular. Easier conversion to physical gold bullion for individual gold investors

extends the reach of AurusGOLD to investors living further away from the vaults.

#### **4.4.6. Ability to Become Provider Partners**

Finally, Distributor Partners can also become Provider Partners. As Provider Partners, they can tokenize their gold and gain access to all the other arbitrage opportunities that Provider Partners enjoy.

### **4.5. OUR PARTNERS**

Partnership plays a central role in AurusGOLD and our plans for the future. A list of our partners can be found at <https://aurus.io/#partners>.

# 5. The Web and Mobile Payments Market

## 5.1. BUYERS

### 5.1.1. Gold is a Stable Store of Value

Gold is dramatically more stable in price than any pure cryptocurrency. Since it is fully backed by gold, AurusGOLD is also far more stable than pure cryptocurrencies like Bitcoin and Ethereum.

Because AurusGOLD is fully backed by gold, it can function as a store of value for savvy cryptocurrency users even before it is widely adopted by vendors. If a buyer wants to convert one thousand euros to cryptocurrency and make sure that they still have more or less a thousand euros of purchasing power next week, then AurusGOLD is an excellent solution. The downturn in the cryptocurrency market in early 2018 highlights this benefit.

### 5.1.2. The Widespread Acceptance of Cryptocurrency as a Medium of Exchange

A method of payment is usually only valuable to buyers if they can use it to buy from their favorite merchants. Fortunately, many merchants already accept cryptocurrencies as payment. Since AurusGOLD is an ERC20 token on the Ethereum blockchain, early adopters can easily exchange it with other cryptocurrencies on major exchanges to make purchases.

### **5.1.3. Safe and Friendly Web and Mobile Front End Applications**

We are also building a user-friendly mobile and web wallet for storing and trading the Aurus tokens. The Aurus wallets will guide users through creating a cryptocurrency wallet, explain how public and private keys work, provide the option of creating a simple (web) wallet or a custom (secured) wallet. The wallets will also allow users to store AurusGOLD tokens, see their worth, undertake transactions, view trading history, and perform other actions. Safety is also important, so Aurus plans to provide support for the Universal Second Factor (U2F) authentication offered by hardware wallets (such as Ledger Nano S and Trezor).

By offering an interface that is more user-friendly and accessible than many competing wallets, we aim to reach beyond the specialized worlds of those familiar with cryptocurrencies and professional gold traders.

### **5.1.4. Plans for Direct Acceptance by Online Merchants**

As more buyers adopt AurusGOLD as a store of value, merchants will find it more attractive to accept AurusGOLD as a method of payment. We will be integrating AurusGOLD (AWG) in as many payment gateways as possible, allowing AWG holders to spend AWG directly with merchants.

### **5.1.5. Plans for a Gold Debit Card**

Future functionalities include the ability to integrate debit cards, allowing consumers to pay in mainstream stores through instant fiat currency conversion and to order physical gold to their location should they so desire.

Our wallet will be integrated with a debit card solution that will provide an automated exchange to fiat currency at low rates from AurusGOLD partners. By making gold more liquid, we are helping consumers to use a stable asset in their daily lives. This will be done through the issuing of gold debit cards and the integration of the AWG currency with different payment providers.

## 5.2. MERCHANTS

### 5.2.1. Easy and Profitable for Merchants Already Accepting Cryptocurrencies

AurusGOLD is an ERC20 token on the Ethereum blockchain, so it should be easy for merchants already accepting cryptocurrencies to accept AurusGOLD. What is more, merchants can profit by pricing goods directly in AurusGOLD while charging a slight premium for doing the conversion.

### 5.2.2. The Stability of Gold Allows AurusGOLD to Serve as a Unit of Account

Pure cryptocurrencies are so unstable in price that they are currently mostly used by merchants only as a medium of exchange. AurusGOLD shares the stability of gold, so it will be stable enough in price to serve as a unit of account. Merchants will be able to price items directly in AurusGOLD rather than fiat money. Pricing in AurusGOLD is particularly beneficial for merchants selling to international customers who typically use a variety of different currencies.

### 5.2.3. The Popularity of Gold in the Emerging Markets

In many emerging market economies, consumers commonly hold gold as a

store of value rather than using fiat currencies. E-commerce is just getting started in many of these countries, and it is still growing at a fantastic pace. By offering these customers the opportunity to buy merchandise in a currency that they know and trust, namely gold, merchants can gain an advantage in the emerging markets.

#### **5.2.4. Plans for Easy Integration**

In addition to the benefits listed above, Aurus also has plans to make it easier to integrate AurusGOLD payments with merchant websites.

#### **5.2.5. How Aurus Can Get Everyone on Board**

According to Rochet and Tirole (2003), platforms for payments systems must “get both sides of the market on board” to succeed. Consumers only want to use payment systems that are supported by enough merchants, and merchants only want to support payment systems that have a sufficient number of users. When more users join the system, even existing users benefit because more merchants will accept payments in the system. Payment systems are said to have positive network externalities because all users benefit as additional users join the system. Network externalities generally make it very difficult for new payment systems to gain a enough users to be attractive to merchants.

Fortunately, there is a way around this “chicken and egg” problem. Luther (2016) suggested that alt-coins could benefit from a second-mover advantage. By identifying and correcting some of the problems that have occurred with Bitcoin, alt-coins might be able to compete in the payments market. Luther also identified excessive volatility as a major problem with Bitcoin, and AurusGOLD

directly addresses the problem of volatility by offering gold backed stability. Cryptocurrency holders seeking stability could create a large enough user base for AurusGOLD to attract merchants and overcome the “chicken and egg” problem caused by network externalities.

### **5.3. PEER-TO-PEER**

#### **5.3.1. True Peer-to-Peer**

The instability of pure cryptocurrencies often limits them to use as a medium of exchange. In actual practice, this means that one person wishing to make a payment to another via cryptocurrency often starts out with a fiat money account, has the money transferred to cryptocurrency, and then it is transferred to someone else’s fiat money account. This requires third-party exchanges, so it is not genuinely peer-to-peer. The stability of AurusGOLD as a store of value will enable direct peer-to-peer transactions without transfers to fiat money accounts.

#### **5.3.2. Smarter Smart Contracts**

It does very little good to specify payment for a service in ETH because the price of ETH varies so dramatically. AurusGOLD can serve as a unit of account when specifying payment for services because it is a gold-backed token. A gram of gold this month typically has approximately the same purchasing power as a gram of gold next month. That is why Smart Contracts that specify payment in AurusGOLD are smarter Smart Contracts.

#### **5.3.3. Gold and Small Firms in the Developing World**

As much as half of the economic activity in developing economies takes place outside the formal economy (La Porta and Shleifer, 2014). These small businesses often transact directly with each other, and many of them are familiar with gold as a store of value. A blockchain version of gold, such as AurusGOLD, is a natural choice for them in the peer-to-peer market.



# 6. The Cryptocurrency Market

## 6.1. CRYPTOCURRENCY INVESTORS

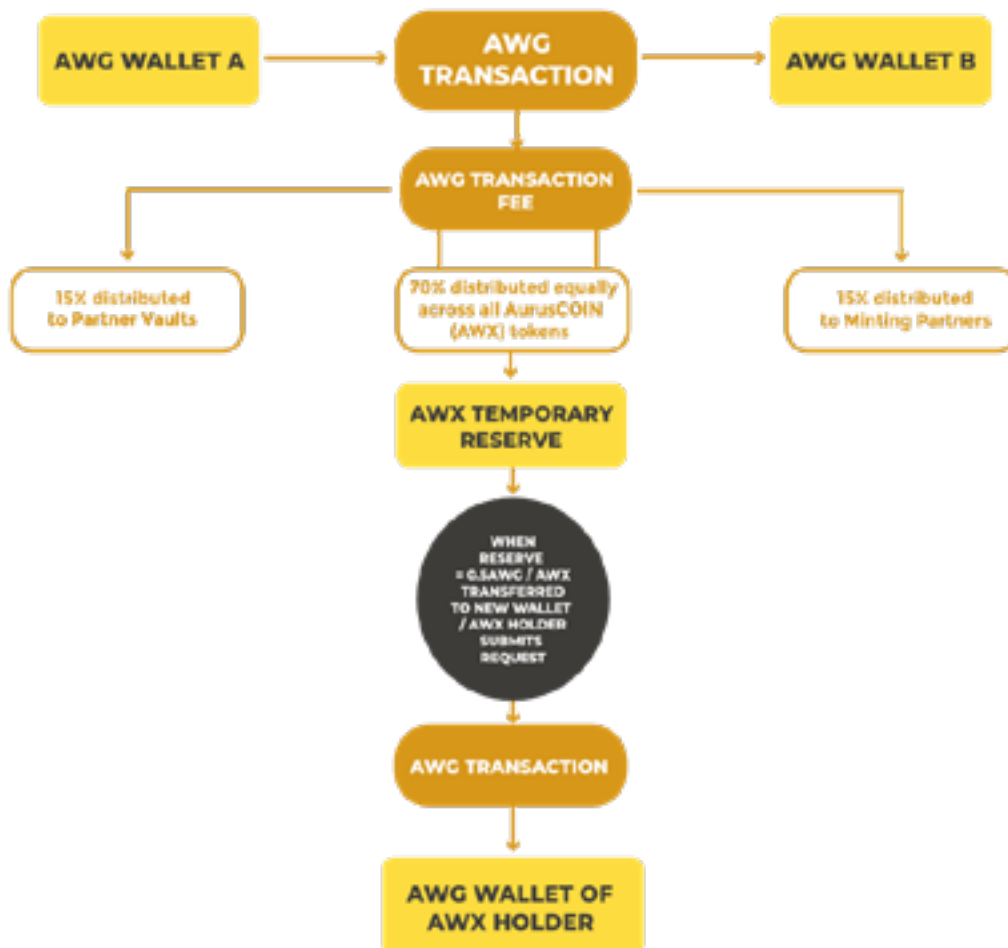
### 6.1.1. AurusCOIN (AWX): Investing in a Real Business That Generates Income

The AurusCOIN (AWX) is an ERC20 Ethereum-based token that enables contributors to invest in the Aurus platform and provides a means of return on investment. It has a maximum supply of 30,000,000 units. All AurusCOIN tokens are pre-mined, with a limited supply of 30,000,000 to be used by the Aurus platform as a funding mechanism.

Through the AurusGOLD (AWG) trading and transfer mechanism, 70% of all transaction fees (which are to be paid in AWG) are directed to the AurusCOIN (AWX) holders. As each AWG transaction from one wallet to another generates fees, all the fees are stored in a Smart Contract that manages the distribution of those fees to AurusCOIN holders, Vault Partners, and AurusGOLD Ltd.

Fees are not distributed instantly to the AurusCOIN holders because of the costs and limitations of the Ethereum platform. As the fees are collected, a user can choose to withdraw his or her share of the fees back to his or her AurusCOIN token holder address. AurusCOIN holders will be able to determine their share of the fees via a special Smart Contract function and then decide if it is worthwhile to make a withdrawal. The withdrawal must be initiated by

the AurusCOIN holder, so the AurusCOIN holder must also pay any Ethereum related fees incurred by the withdrawal.



### 6.1.2. Gold Investors Give Aurus a Strong Base Market

Most cryptocurrencies have difficulty attracting actual users, but the unique benefits that AurusGOLD offers to gold investors help to ensure that AurusGOLD will have a strong base market. Many gold investors rightly consider gold to be an excellent store of value and also use it as a unit of

account. However, they have been forced to use fiat money as a medium of exchange for many years because it is too difficult to divide gold into sufficiently small units for everyday expenses. By bringing the advantages of cryptocurrency to the gold market and making gold a medium of exchange, Aurus is giving gold investors precisely what they have always wanted.

### **6.1.3. The Distributor Partnership Structure Enables Aurus to Expand**

Existing physical gold distributors will be interested in partnering with Aurus because they can profit by offering a variety of AurusGOLD related services to their existing customers rather than losing customers to more centralized gold cryptocurrency solutions. This allows Aurus to expand more rapidly because it is much easier for third parties to integrate APIs and plugins into their websites than it is for a new cryptocurrency to market itself directly to potential users. Gold investors will be able to buy AurusGOLD from the distributors that they already trust rather than having to find new websites.

### **6.1.4. The Advantages of AurusGOLD in the Web and Mobile Payments Market**

To fully succeed in realizing the benefits of gold as a medium of exchange, Aurus will have to expand beyond traditional gold investors. Because gold is far more stable in value than any pure cryptocurrency, consumers in the web and mobile payments market have the incentive to adopt it as a store of value even before it is widely accepted as a medium of exchange.

Once a sufficient number of consumers start using AurusGOLD as a store of value, merchants should begin to accept it as a medium of exchange. Once

enough merchants adopt AurusGOLD as a medium of exchange, the stability of gold will allow goods to be priced directly in AurusGOLD. AurusGOLD can then also be a unit of account and fully function as a currency.

### **6.1.5 The Cryptocurrency Transaction Fee Paradox**

All pure cryptocurrencies suffer from the transaction fee paradox. Increases in transaction volume raise transaction fees, which makes pure cryptocurrencies less attractive for consumers just as the cryptocurrencies are becoming more popular. Speculation makes the problem even worse. If you are familiar with the transaction fee paradox and the transaction fee crisis of late 2017, feel free to skip ahead. If not, the following digression may help you to understand some of the advantages of AurusGOLD (AWG) and AurusCOIN (AWX).

As the price of Bitcoin went from \$963 to as high as \$19,870 in 2017 (Yahoo, 2018) the average transaction fee soared from only \$0.35 to over \$25 by the end of the year according to BitInfoCharts (2018). The enormous volume of speculative transactions on the Bitcoin blockchain in late 2017 pushed the system's capacity to make transactions to the limit, and fantastically high transaction fees were the result.

A cryptocurrency with \$25 transaction fees cannot be used for everyday transactions, so Bitcoin's viability as a currency was called into question even as the price was being bid to record highs. The core of the cryptocurrency transaction fee paradox is that the higher volumes of trading associated with bull markets push up transaction fees and destroy the ability to use the cryptocurrency for transactions in the real economy. Without a base in the real economy, the value of the cryptocurrency is bound to collapse.

The price of Bitcoin fell below \$6,000 in 2018, and transaction fees for Bitcoin dropped below \$1 as speculators departed and transaction volume declined. Sensible Bitcoin transaction fees mean that Bitcoin is once again a competitive way to pay for goods and services in the real economy. Bitcoin was used as the example here because the transaction fee crisis was most severe for Bitcoin, but all pure cryptocurrencies are afflicted by the transaction fee paradox.

#### **6.1.6. Why Aurus Stands to Gain During Downturns in the Cryptocurrency Market**

The instability of other cryptocurrencies becomes more of a problem for consumers during downturns in the overall cryptocurrency market. The experience of losing a considerable amount of money is a powerful motivation to look for something more stable. What is more, transaction costs tend to explode during uptrends in the cryptocurrency market, slowing the adoption of a cryptocurrency as an actual medium of exchange rather than a speculative vehicle.

During a downtrend in the cryptocurrency market, the price stability of AurusGOLD becomes more attractive to consumers. Furthermore, transaction costs fall during cryptocurrency bear markets, and cryptocurrencies become more attractive as actual currencies. For these reasons, AurusGOLD is likely to gain more acceptance during a cryptocurrency bear market. This outstanding performance is likely to attract favorable press coverage and introduce more potential users to AurusGOLD.

Finally, as gold investors, consumers, and even cryptocurrency traders are drawn to AurusGOLD during downtrends in the overall cryptocurrency market, the revenue from fees related to AurusGOLD will increase considerably. This

has the direct benefit of generating more income for AurusCOIN (AWX) holders and is also likely to increase the price of AurusCOIN (AWX).

#### **6.1.7. How Gold Traders Enable Aurus to Expand**

The gold market is valued at over 6 trillion US dollars. Because of the ability of traders to arbitrage between AurusGOLD and the over-the-counter gold market, the price of AurusGOLD will remain close to the price of gold bullion. Therefore, the price of AurusGOLD (AWG) will not increase very much as early users adopt AurusGOLD. Whenever consumers start adopting pure cryptocurrencies, the speculators move in, the prices rise, the transaction fees increase, and it becomes harder to use the cryptocurrency as a real medium of exchange. The size of the gold market allows AurusGOLD to expand without encountering the same bottlenecks.

All the speculative energy will be channeled into AurusCOIN (AWX). AurusCOIN (AWX) will benefit from the increase in the usage of AurusGOLD (AWG) as the revenues from fees rise. The price of AurusCOIN will go up rather than the price of AurusGOLD. The medium of exchange (AWG) will stay stable, and the holders of AurusCOIN (AWX) are likely to profit.

#### **6.1.8. How the Decentralized Vault Partnership Structure Enables Aurus to Expand**

Rather than having a single centralized vault like other gold-backed cryptocurrencies, Aurus has a decentralized Vault Partnership structure that allows new vaults with proven credentials to more easily enter the system. Whenever demand heats up for AurusGOLD (AWG), it increases the demand for vault space as well as demand for gold itself. When demand is high, profits

will also be high, and it should be easy to find new partners. AurusGOLD (AWG) continues to remain relatively stable in price even as demand rises, enabling expansion.

The decentralized partnership structure also allows Aurus to expand to other geographical areas. We are based in the Netherlands, so Europe is our home market. However, we can easily accommodate qualified Vault Partners from other parts of the world. As more Vault Partners enter the system, the system itself gains credibility and customers.

#### **6.1.9. Aurus Is in the Tokenization Business**

Aurus profits by offering tokenization-as-a-service. We have plans to tokenize silver and other commodities as well. According to Baum (2017), much of the economy could be tokenized over the coming decades. By being here at the beginning, Aurus will establish a reputation for tokenization that will enable us to profit in the rapidly growing tokenization market.

#### **6.1.10. AurusGOLD (AWG) Provides ICO Volatility Protection**

Investors in other cryptocurrencies can also benefit from AurusGOLD (AWG). Many believe the ICO is the venture capital financing mechanism of the future. Many startups promise long-term visions to the market and raise large amounts to deliver on them. Cryptocurrency volatility can negatively impact this process, with companies potentially losing substantial value before the funds can be used. Gold benefits from long-term stable values, hence ICO funds can be placed in AWG to hedge against falls.

## 6.2. CRYPTOCURRENCY TRADERS

### 6.2.1. AurusGOLD (AWG) Provides a Safe Haven for Traders

The cryptocurrency market has proven to be highly volatile for traders as well as investors. As a gold-backed cryptocurrency, AWG could prove useful to hedge against potential losses and provide sanctuary from volatility while maintaining liquidity.

### 6.2.2. AWG/ETH Trading Opportunities

All Aurus tokens are ERC20 tokens, which means that they require ETH to transact. This ongoing AWG/ETH trade creates opportunities for traders, similar to those that exist when consumers must exchange fiat currencies.

### 6.2.3. AurusCOIN (AWX) May Present Trading Opportunities During Bear Markets

As consumers, traders, and even investors adopt AurusGOLD to avoid massive losses during cryptocurrency bear markets, the revenue from fees going to AurusCOIN (AWX) holders increases. This could send the value of AWX much higher during downturns in the overall cryptocurrency market. With AurusCOIN (AWX), traders may be able to make substantial profits in bear markets.

### 6.2.4. Only Ethereum Fees for Trading AWX

The AurusCOIN token (AWX) is an ERC20 token which requires only the base ETH transaction fee to be paid upon transfer.



## 6.3. CRYPTOCURRENCY EXCHANGES

### 6.3.1. AurusGOLD (AWG) Helps Retain Customers by Offering a Safe Haven

By offering AurusGOLD (AWG), cryptocurrency exchanges will be able to give their customers a safe place to park their money in cryptocurrency bear markets and occasional downtrends. This will give customers an alternative to cashing out and potentially leaving the cryptocurrency exchanges forever.

### 6.3.2. AurusCOIN (AWX) Can Attract Traders in Down Markets

AWX could do for cryptocurrency exchanges what gold ETFs, gold mining stocks and government bond ETFs have done for stock exchanges during stock market crashes. Namely, AWX gives cryptocurrency exchanges a product the traders will want to trade during bear markets. Because of AWX's potential for countercyclical gains, exchanges may be able to attract new customers with AWX during cryptocurrency bear markets.

### 6.3.3. Aurus ERC20 Tokens Are Compatible with Exchanges

AurusGOLD (AWG) and AurusCOIN (AWX) are both ERC20 tokens, which makes them compatible with most major exchanges. All cryptocurrencies face compatibility issues, but tokenizing gold also presents unique challenges. Gold requires storage and insurance fees, but existing wallets and cryptocurrency exchanges are not well equipped to pass on these fees.

For third-party integration with wallets and exchanges, the Smart Contract enables developers to calculate the fee of sending AurusGOLD (AWG) without

actually pushing forward the transaction. This function will be used mainly by shared, centralized wallets that hold tokens for multiple users and cannot accommodate an individual fee adequately. Once the fees are calculated, the exchange can push forward the transaction and charge their own fees to the appropriate traders.

AurusGOLD (AWG) fees have a very simple, linear mathematical model, allowing exchanges to integrate a dynamic fee token as simply as possible and however they best see fit.

AurusCOIN (AWX) fees are similar to any other standard ERC20 token.

# 7. Aurus Ethereum Tokens

## 7.1. TOKEN SPECIFICATIONS

### 7.1.1. AurusGOLD (AWG)

- ERC20 Ethereum token issued on the public Ethereum blockchain
- The token has the identifier “AurusGOLD” and a short name of “AWG”
- The token has 18 digits after the decimal point
- The total and available supply are dynamic, based on the amount of gold stored in the vaults
- The token is open-source and auditable on the Ethereum explorer etherscan.io (total supply, available supply, wallet balances and source code).

### 7.1.2. AurusCOIN (AWX)

- Ethereum based ERC20 token deployed on the public Ethereum blockchain
- The token has the identifier “AurusCOIN” and a short name of “AWX”
- Pre-mined with a limited total supply of 30,000,000 units
- Token has 18 digits after the decimal point

### 7.1.3. Gold Bullion Tokens

- Ethereum based ERC721 token deployed on the public Ethereum blockchain
- Each token is mapped to an individual gold bullion
- There is 1 AWG created for each gram of mapped gold bullion
- Every token has an ID identical with the unique LBMA serial number of the mapped bullion
- Additional details for each Gold Bullion Token are available in a decentralized file system, such as the InterPlanetary File System (IPFS)

## 7.2. TOKEN MINTING

Only Aurus Provider Partners can begin the AurusGOLD token minting process by initiating a token issue request. Only 99.99% pure gold bullion approved by the London Bullion Market Association (LBMA) is capable of backing AurusGOLD tokens. Full details on the minting process can be found in the Aurus Blockchain Platform Technical Specifications.

Before tokens can be generated, the providence of the gold bullion must be established and proof of ownership documents must be provided. The proof of ownership is recorded and timestamped on the InterPlanetary File System (IPFS) blockchain.

The proof of ownership documents are:

- Invoice and proof of payment
- Delivery note

The proof of ownership documents are public, which allows them to be audited

by Aurus Partners and all AurusGOLD (AWG) token holders.

When the Provider Partner initiates the token issue request, the Provider Partner must submit all of the following:

- Proof of ownership documents
- Serial number of the gold bullion
- Weight of the gold bullion in grams
- Purity of the gold bullion
- Manufacturer of the gold bullion
- Public address of the wallet designated to receive the AWG tokens

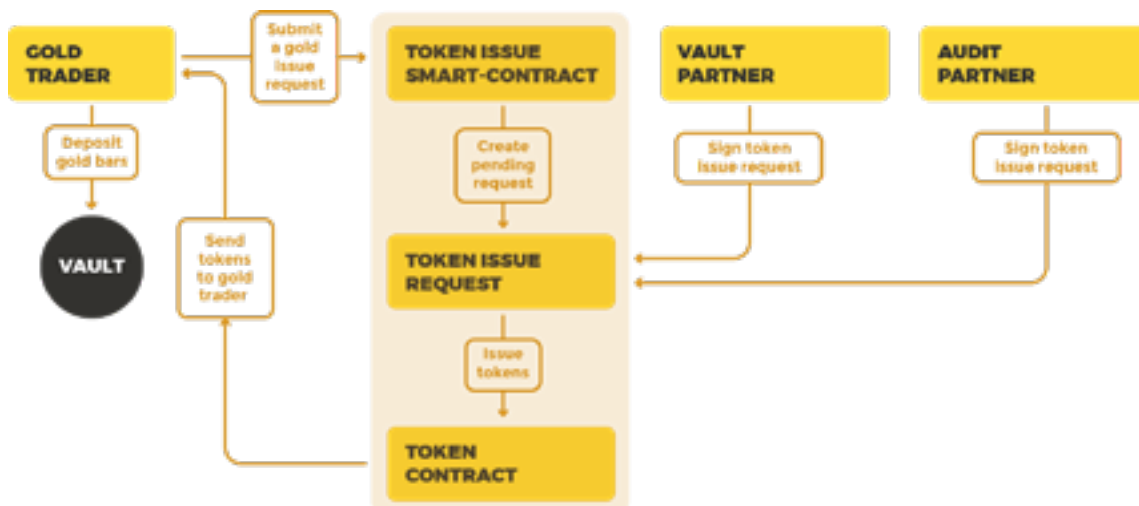
No tokens are created when the request is submitted, and the token issue request must be signed by the Vault Partner within one week for any tokens to be minted.

After the Vault Partner receives the physical gold, inspects it, and performs an internal audit, the Vault Partner signs the token issue request using a private key. A Gold Bullion Token is immediately issued for each gold bullion received. An AWG token is simultaneously minted for each gram of gold

The Gold Bullion Tokens issued are held by the Vault Partners that store the corresponding gold bullion. The Gold Bullion Token is an ERC721 token on the public Ethereum Blockchain. ERC721 was chosen for the Gold Bullion Token because ERC721 is capable of storing unique information about each token, such as the unique LBMA serial number of each gold bullion. This uniqueness comes at a high cost on the public Ethereum Blockchain, so additional details on the gold bullion are stored in a decentralized file system, such as the

InterPlanetary File System (IPFS).

The other cost of using ERC721 for the Gold Bullion Tokens is that ERC721 is not compatible with most wallets, and it is not supported by major exchanges. We know that a method of payment must be accepted by merchants in order to be successful, so AurusGOLD (AWG) gold-backed tokens are ERC20 tokens. ERC20 has widespread acceptance, and every AurusGOLD (AWG) token is fully backed by 1 gram of LBMA-approved 99.99% pure gold bullion.



### 7.3. TOKEN BURNING

Any holder of AurusGOLD (AWG) can initiate the AWG token burning process through the dedicated WebUI after paying the withdrawal fee. A withdrawal is a transaction from a technical point of view, so any outstanding annual fees on the AWG are automatically paid when a withdrawal is made. The withdrawal fee starts from 0.2%. The amount of AWG to pay all the fees and the AWG being withdrawn must be available in the token holder's wallet balance. More

information on withdrawal fees can be found in the “Aurus Fees and the Distribution of Fees” section of this document, and full details on the token burning process can be found in the **Aurus Blockchain Platform Technical Specifications**.

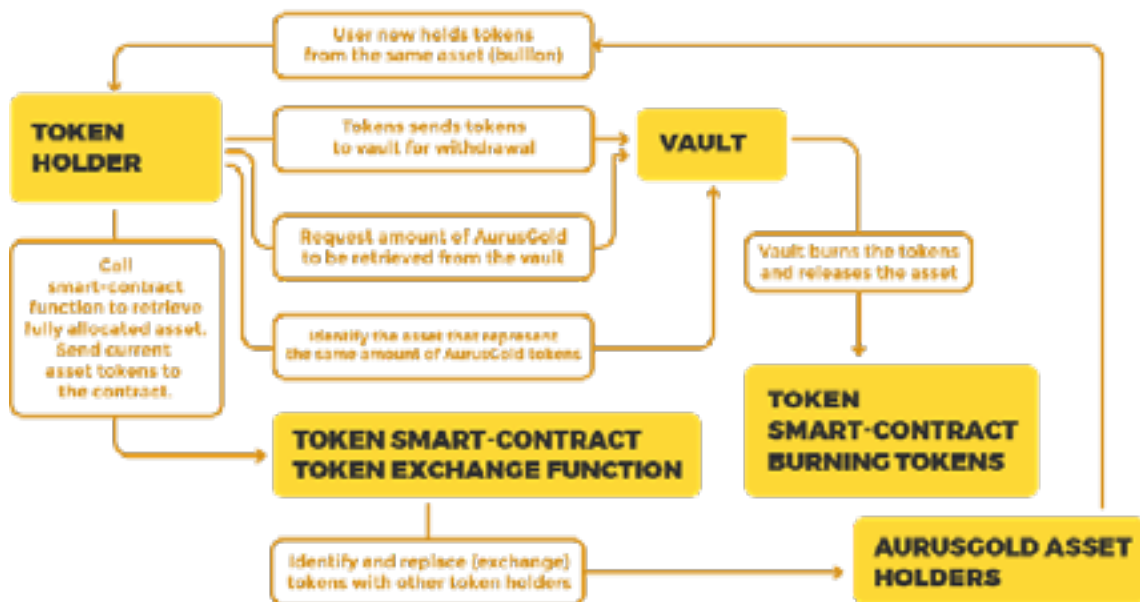
The dedicated WebUI allows AurusGOLD holders to withdraw a specific amount of gold from a selected vault. AurusGOLD is backed by individual gold bars with unique LBMA serial numbers, so the amounts taken out of the vault must match the gold bars held by that specific vault.

After the withdrawal requested is placed, the Vault Partner is given notification to process the transaction. The status of appropriate Gold Bullion Tokens held at the specified vault will then be changed from “available” to “pending extraction”. The appropriate Gold Bullion Tokens are those with a total recorded weight in grams equal to the number of AWG to be burned. The AWG holder who requested the gold is then notified of the bullion’s availability and has ten days to pick-up the gold.

If the withdrawal requester fails to appear at the vault within ten days, the transaction is automatically canceled by the Smart Contract. The status of the Gold Bullion Tokens will change back from “pending extraction” to “available” and the corresponding AWG tokens will be returned to the withdrawal requester. The withdrawal fees are nonrefundable, so they will not be returned to the AWG holder.

If the withdrawal requester appears at the vault within ten days, the requester is given the opportunity to inspect the physical gold bullion. The withdrawal requester must sign the extraction transaction with their private key to accept the gold bullion. The Vault Partner must also sign the transaction with a

private key. Once both parties have signed this “handshake” transaction, the withdrawal process comes to an end. The status of the Gold Bullion Tokens mapped to the gold bullion withdrawn is changed from “pending extraction” to “extracted”. The appropriate number of AWG tokens are burned. The AWG tokens burned are equal in number to the weight the gold bullion withdrawn in grams. Anti Money Laundering and Know Your Customer laws are observed throughout the withdrawal process.





# 8. Future Plans

## 8.1. AURUS GOLD CONSORTIUM

Gold traders and other partners who work with Aurus to deliver a new future for gold will hold a place in the Aurus Gold Consortium. Each partner will have a say in the future of the entire system. The mission of the Aurus Gold Consortium is to grow through strong and reliable partners and to shape the future of the industry.

## 8.2. TRACING GOLD PROVENANCE

Aurus proposes a supply chain blockchain solution to be made in parallel to our AurusGOLD (AWG) currency. We will use our blockchain expertise to provide a free and transparent solution to tracking gold through its supply chain. This solution will assist in the efforts against money laundering, illegal mining, and so-called blood gold.

## 8.3. A GOLD FUND FOR GOLDEN IDEAS

Aurus will be allocating a portion of funds to be controlled by the AurusGOLD shareholders and the Aurus Gold Consortium. These funds will be invested in gold-oriented cryptocurrency startups and initiatives to support the growth and circulation of AurusGOLD.

#### **8.4. TOKENIZATION OF SILVER AND OTHER ASSETS**

After the introduction of gold as a cryptocurrency, we aim to introduce tokens based on other valuable commodities and assets. These assets include silver, platinum, and other precious assets. By starting with gold, we can prove the worth of our asset tokenization protocol and build the trust necessary to work with other valuable physical assets..

# 9. Conclusion: A Market Based Growth Story

## 9.1. AURUS OFFERS STABILITY

It seems that every cryptocurrency has plans for a wallet, plans for expansion, and plans for the future. The difference between the successful cryptocurrencies and the rest is that the successful ones all offered the market something genuinely different. Bitcoin was first. Ethereum was flexible. Ripple was more attractive to corporations. Bitcoin Cash offered lower transaction fees. AurusGOLD will be more stable.

AurusGOLD offers stability, so it has a much better growth story. Because of the role of network externalities in the online payments market, cryptocurrencies only work if enough users adopt them. Aurus is the proverbial goose that lays the golden eggs, and the world will flock to the stability of gold.

## 9.2. HOW AURUSGOLD BECOMES A CURRENCY

It starts with the gold market. There are already gold investors looking for a gold-backed cryptocurrency, and many gold distributors already accept Bitcoin as a method of payment. The partnerships that Aurus offers to vaults and distributors will also play a crucial role in speeding the adoption of AurusGOLD

in the gold market. What is more, the high cost of physical gold coins means that gold investors must save up for them. Many have resorted to gold ETFs for this purpose, and most who have done so would gladly switch to a decentralized gold cryptocurrency like AurusGOLD (AWG).

Next, the web and mobile payments market will begin to realize the benefits of AurusGOLD. Since AurusGOLD tokens are ERC20 tokens on the Ethereum blockchain, AurusGOLD will be directly convertible to other cryptocurrencies on major exchanges. Any consumer wishing to buy goods and services rather than speculate with cryptocurrencies can achieve much more stable purchasing power with AurusGOLD. As more cryptocurrency users start to use AurusGOLD as a store of value, it will become more accepted as a medium of exchange by sellers. Once AurusGOLD is accepted by sellers, they will realize that AurusGOLD can do something that no pure cryptocurrency can: it can be used as a unit of account. Gold is stable enough in value that goods and services can be priced directly in AurusGOLD. As a store of value, a medium of exchange, and a unit of account, AurusGOLD will fully meet the definition of money.

### **9.3. BEYOND CURRENCY**

In the Ethereum white paper, it is claimed that the Ethereum protocol moves far beyond just currency. Aurus plans to do the same with tokenization-as-a-service. Gold naturally comes first because of its history as a store of value and a currency. Silver is next because it has many of the same favorable properties as gold. However, we see great opportunities in tokenizing commodities and other physical objects. By moving beyond currencies, Aurus hopes to benefit our users, our investors, and the world.

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#### Disclaimer:

At the time of writing this, the information provided in the whitepaper is based on the use of the Ethereum blockchain.

In an effort to make the Aurus Gold Coin (AWG) as efficient as possible we will be experimenting with the EOS platform. Using this platform will potentially allow us to provide our users with lower fees and a more stable environment.

It is important for early investors to note that depending on which blockchain we decide to use, the Main Sale for the Aurus Coin (AWX) might happen at a different time because we want to launch our main sale alongside our product.

The information in this whitepaper is not final and is subject to change and revision in an attempt to make our product as viable as possible.



*For more information visit*

[www.aurus.io](http://www.aurus.io)