CoinDCX

DCX Stake

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Legal and Compliance

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A. Overview

1. Cryptocurrency staking is a great way for our users to earn rewards on idle lying cryptocurrencies in their wallets by simply staking them on our platform. Staking is a relatively new concept. This guide has been created to help you get a better understanding of what staking is, the technology behind it and how it could benefit you. Before we describe what staking is and the entire rationale behind it, it is important to first get familiar with the two most common consensus mechanisms used in Blockchain Technology.

B. Proof of Work (PoW) and Proof of Stake (PoS)

1. Proof of Work and Proof of Stake are two most common consensus mechanisms which define a set of rules that govern how nodes in a given peer to peer network interact and validate transactions that will be added to the blockchain.

2. This consensus mechanism is a common agreement between the nodes of the network. So there is no need to trust anyone. For you to have a better understanding of Staking it will be essential to first understand the difference between the two mechanisms.

3. The PoW mechanism is the first consensus mechanism created and is used by many cryptocurrencies including Bitcoin, Ethereum and Monero. In a PoW mechanism, all miners compete with each other to find the next block to be placed in the blockchain. This process is called mining and the process involves solving a complex mathematical puzzle. The miner who mines the next block gets rewarded for the resources spent in doing so. For each block mined, Bitcoin miners receive 6.25 BTC per block whereas Ether miners receive 5 ETH.

4. While everyone participates to decode the puzzle and get the reward, the miners who have specialized hardware for mining or who collaborate with other miners to form mining pools usually end up getting more rewards. The mining process as done in the PoW mechanism requires high computational energy, infrastructure cost and aggressive competition.

5. The PoS mechanism is the most common alternative to PoW mechanism that works in a way similar to how a company works. Each member of the company has certain shares of the company and that determines their voting rights. The more the number of shares held, the more is the voice heard. In case of the PoS mechanism, the stake is defined by the digital currency operating in the blockchain. Although the block is created randomly, the proportion of blocks created by a particular stakeholder is determined by his ownership of the stake in comparison to the other stakeholders in the system. In a PoS , one node is elected to validate a particular block. This reduces the competition as well. Another difference between PoS and PoW is that in a PoS mechanism, there are no Miners or Mining. Instead, there are Validators and they are either Mint

or Forge. Although this mechanism is less secure than PoW, the energy consumed to provide consensus is surely very low.

6. Similar to mining pools, staking pools are also formed to increase their chances of validating blocks and receiving rewards. Staking systems allow delegation in which each individual delegates their voting rights to a trusted party. Those delegates then earn all the rewards for the block validation and later reward their supporters in the form of returns. Staking is one of the easiest ways of earning passive income.

C. Benefits of Staking

1. Staking eliminates the need to purchase expensive hardware to increase the chances of winning. Since competition is less in staking, energy consumed by the entire network for adding a new block reduces significantly.

2. The system offers guaranteed returns and a predictable source of income, unlike the PoW system where coins are rewarded through a random process with low probability.

3. PoS is considered to be safer than PoW as it reduces the chances of a 51% attack. Even when someone owns 51% stake in the network, they would not want to attack the network as this would decrease the value of their tokens as well.

D. Staking as an Investment Option

1. Staking is a relatively new concept and investors are often confused between the high yields associated with staking coins and the security offered in bank deposits. As mentioned earlier, rewards for staking depend on the proportion of the size of your stake to the size of the stake of the network. The higher is your stake in proportion to the network, higher is the probability of you mining the block and higher is the chance of you receiving more rewards. The staking services offered by various crypto exchanges have made life easier for a larger number of investors who do not know much about blockchain technology.

2. The whole point of staking is not to validate transactions and earn rewards for adding blocks to the blockchain but to improve the robustness, integrity, and security of the network. Staking ultimately leads to contributing to the governance of the network by helping it grow and remain decentralized.

3. By simply delegating your staking rights to CoinDCX, the proportion of our stake as compared to the mining pool increases. CoinDCX will then be able to provide all stakers with higher rewards.

E. From an Investor's Perspective

1. The various investment options available to an investor include government bonds, corporate bonds, fixed deposits, and a lot more. Every investment option comes with a risk and a reward. Investors put money in assets based on their risk appetite. Risk-averse investors prefer investing in assets that ensure a lower but fixed return whereas risk-loving people go for options that have higher price fluctuations and hence chances of higher rewards.

2. The cryptocurrency market is volatile in nature and prices keep fluctuating on a regular basis, unlike the stock market. This leads to larger capital gains and losses. While banks and other fixed-income bonds guarantee a fixed return, these returns are usually lower than what we get from crypto staking. We have seen how volatile the world has been during the pandemic where several currencies got devalued over the months thus affecting the purchasing power of those countries. A recent news article showed how Bitcoin beat the S&P 500 in Q2 2020 by more than 24%. This shows how well the crypto market has been performing lately as compared to the stock market. There are a few points that every investor must take into consideration when thinking about investing anywhere in the world.

3. Make sure you do proper and thorough research on the product you are going to invest in. For staking in a particular cryptocurrency do not invest in it based on the expected yield only. Other factors that need to be considered include their market capitalization, trade volume (for liquidity), price growth, volatility, recent news, upcoming events and projects, comparison with its competitors, etc. Once you are done with your research you should decide how much worth of a particular cryptocurrency you must stake. It might happen that the fundamentals of a coin are not good and if the price of the coin starts falling at a much faster rate and it fails to recover, earning an interest payment would not help in the long term.

4. To conclude, the added benefit of staking for any investor is that they can withdraw their funds as and when needed. There is no need to pay any early withdrawal fines, unlike bank deposits which offer a lower yield and charge early withdrawal penalties. These staking accounts need little to no maintenance costs. According to stakingrewards.com, the market cap of staking is approximately at $18 billion which is commendable considering the less time it has been in the market.

F. Getting Started

1. Staking with CoinDCX ensures that users do not have to give up on their liquidity while earning rewards on idle cryptocurrencies. Users can withdraw their cryptocurrencies or sell them off without any early withdrawal penalties (no lock-up period). We remove the hassle for you to set up nodes and worry about the difficulties in the process. You have to maintain a very minimum balance for staking as compared to setting up your own node. This is because CoinDCX pools in

all the PoS tokens from the other staking wallets. Setting up your own node means that you have to stake a higher amount of that PoS token for a given contract period. To stake with CoinDCX you simply hold a minimum balance of the supported cryptocurrencies on the CoinDCX platform and become eligible for earning rewards from staking.

2. We at CoinDCX try to provide the maximum reward possible while maintaining our security standards.

3. All you need to do for staking with CoinDCX is to be a registered user on the CoinDCX platform and hold a minimum balance of at least one of the cryptocurrencies for which we offer staking services.

4. You can either buy those cryptocurrencies from our trading platform or simply transfer them from another wallet to your wallet on CoinDCX exchange platform. The cryptocurrencies belong to you.

5. You simply delegate your voting rights to us and enjoy your passive income, that too for no transaction fee!

6. Note - To ensure you receive your rewards, make sure you maintain your balances for at least 24 hours. We will be taking snapshots during the 24 hour period to determine your balance. Staking rewards will be assigned based on the balance of cryptocurrencies captured in the snapshot.

7. To summarize, the steps to staking on CoinDCX are simple:
   a. Select the crypto you want to stake and Hodl
   b. Deposit cryptos on your CoinDCX wallets
   c. Earn rewards

G. Trading With Staking

1. Staking on CoinDCX is a win-win situation for you. You earn passive income on your idle lying cryptocurrencies. CoinDCX gives each user complete liquidity and flexibility which means that you can withdraw your cryptocurrencies or trade them anytime you want to i.e. there is no lock-up period. Please note that trading and staking are completely different topics. A user can trade while the funds are stored and eligible for staking in their wallets. Withdrawal or trading of those funds during the staking period will not lead to any early withdrawal penalties. We will be taking snapshots of your staked wallet. You will receive rewards for the amount of cryptocurrency mentioned in the snapshot. Trading has got nothing to do with staking.

H. Staking On Sub-Accounts

1. Staking on CoinDCX's sub-accounts works similarly to any other accounts on CoinDCX. Each sub-account has their individual wallets. Sub-account users can deposit PoS tokens on their crypto wallets and start earning rewards. The process is exactly the same as it is for the main account holders.

I. Supported Cryptocurrencies

1. CoinDCX supports the following coins which provide an estimated return based on the below link. Please ensure you have the minimum balance required to get rewarded with Staking benefits.

Coin	Estimated Annual Yield (%)	Minimum Balance Required

* https://coindcx.com/staking (Please see the info under this clause on the attached link)

2. Rewards for the above mentioned cryptocurrencies are calculated by the network itself. CoinDCX receives the rewards from the network and transfers them to your trading account directly.

J. Calculation Of Rewards

1. The Staking reward for these cryptocurrencies are calculated as follows -

2. Daily stake generated by each user = Daily total stake generated by CoinDCX * User token asset holding ratio.

3. User token asset holding ratio = User token holding / Total token held on CoinDCX

4. Users must hold a minimum balance of the cryptocurrencies to qualify for the staking rewards. CoinDCX will not keep a commission or charge fees for the staking procedure. But this does not ensure a constant rate of return. The reward rate depends on the network's protocol, the amount staked, number of stakers, the frequency with which the blocks are generated, etc. Since none of the factors are fixed, the rewards are also not fixed. You may therefore receive high, low or the same rewards. Please note that the rewards received will be in the denomination of that cryptocurrency.

5. Since, none of the factors lead to a fixed rate of return, the reward rates estimated by our team of experts are based on our prior staking performance for that cryptocurrency.

6. Please note that:
   a. Rewards for the staked cryptocurrencies can be viewed in 'Staking History' and 'Deposit' history of that token.
   b. You will receive your rewards once every month but keep in mind the rewards are sent to your wallets based on the snapshots that we take every 24 hours. You can simply drop out of the staking benefits by removing your tokens from the staking wallet or trading with them. In case you wish to continue staking on our platform, please make sure that the minimum balance is maintained.

K. What are the Eligibility Requirements?

1. Registered and verified user of CoinDCX.

2. Must hold the minimum balance required for that specific cryptocurrency on the CoinDCX website.

3. You can either purchase or maintain the balance on CoinDCX or send the specific cryptocurrency from an outside wallet or exchange.

L. Conclusion

1. Anyone can stake, as long as they have a minimum balance for the given cryptocurrency. Staking is a good way for people to get used to the crypto world and understand how blockchain technology works while earning passive income. All you have to do is buy them and stake them on our platform. Come join us to learn and earn! Come stake with CoinDCX!