



## ★ SOLIDARITY FUND LETTER

The “Solidarity Fund Letter” gives an insight to developments in the cryptocurrency-space that attracts our attention and surely should attract yours as well. As we are interested in the wellbeing of all our brethren and sisters, we will never sell you hype in these issues, but present facts, insights, possibilities and dangers associated with the featured projects. Unlike many solely capitalistic and egocentric personas and groups out there, we are not interested in striking the highest profit for ourselves, but for our cause. We will donate 10% of our gains to political parties on the left spectrum throughout Europe and to organizations that are in need of our help. We will never ask you for donations, membership fees and things alike. Let’s fight the enemy with his own weapons!

## ★ USC UTILITY SETTLEMENT COIN

### Introduction

Our first issue will focus on a secretive game-changer - The Utility Settlement Coin (USC) is an attempt by the private sector to provide a wholesale cryptocurrency. It is a concept proposed by a collection of large private banks and a fintech firm for a series of digital tokens representing money from multiple countries that can be exchanged on a distributed ledger platform. The value of each country’s USC on the distributed ledger would be backed by an equivalent value of domestic currency held in a segregated (reserve) account at the central bank.

In September 2015 the Swiss bank UBS launched its first Utility Settlement Coin (USC) concept in collaboration with UK-based blockchain company Clearmatics. They were joined in August 2016 on the project by BNY Mellon, Deutsche Bank, Santander, broker/dealer ICAP and the financial services firm NEX. Recently we saw the addition of Barclays, HSBC, State Street, Credit Suisse, MUFG and the Canadian Imperial Bank of Commerce.



At this current point not a lot of facts are presentable about the USC, however, we deem this one of the most important cryptocurrency projects to come and hence you should know about it.



### What is the Utility Settlement Coin?

The conglomerate of Banks working on USC have been rather shy and protective about their upcoming cryptocurrency. However, based on what we know about the project to this point we can assess a few factors.

“The USC project in – in essence – is aimed at making it easier for central banks to issue currencies on a blockchain. The USC project is designed to help prepare the way for central bank crypto currencies by making it easier for global banks to conduct a wide variety of transactions with each other using collateralized assets on a custom-based blockchain.

USC will act as a fully asset-backed digital cash instrument that would be cleared and settled via distributed ledger technology such as blockchain. It is the intention that the USC will be completely backed by cash assets through large banks and central banks. The USC will be a collateralized digital coin that banks could use to pay one another or to buy securities more quickly. Unlike bitcoin, the USC would not be its own cryptocurrency. It will be a digital cash equivalent of each of the major currencies backed by central banks, such as the dollar or euro, rather than a decentralized new digital currency such as bitcoin. It would act as a convertible stand-in for major currencies.

The USC would be convertible at parity with a bank deposit in the corresponding currency. Each settlement coin would represent fiat currency like euros and dollars on a one-to-one basis and would thus be 100% backed by collateral at the domestic central bank. Spending a USC would be the same as spending the real currency it is paired with.”

While there have been similar incentives of other banks, for example Citigroups “Citicoins” or “SETLcoin” by Goldman Sachs, the USC project seems to be the most advanced and ambitious. Obviously, it will feature all the benefits, that a blockchain system yields for the finance sector, reduced costs, removal of clearing houses, instant transactions and automated processes. Currently the project is soon to go live, after the initial concept was approved and the regulatory and compliance issues have been worked out. In its current testing phase, which is anticipated to last for about 12 months – ending in late 2018 / early 2019, the project is testing interbank-transfers and the contractual functions of the system.

### What to expect from the Utility Settlement Coin?

With the USC we can anticipate a disruptive project, that will shake up the cryptocurrency-space as we know it today, especially competitors like Ripple may have a hard time dealing with USC. However, due to the secretiveness of the parties involved there are many questions left open.

*Will USC be available to private clients and if so, where to buy USC?*

The USC will be used for interbank transfers only when the system will go live at first. However, plans are that private customers will be able to purchase and use USC. It will be likely listed on the major cryptocurrency exchanges and the banks will likely sell the USC themselves. To promote the use of USC it can be anticipated that the banks involved offer USC as alternative payment gateway to the usual bank transfer to their customers.

*How many USC will exist and how will the value be determined?*

Your guess is as good as ours. For obvious reasons the conglomerate released no whitepaper or any details on these matters.

*What about privacy?*

As far as we know the transfers will be fully transparent and traceable. The parties involved in the USC project have put great effort into shaping a compliant and pro-regulatory cryptocurrency. It can be anticipated, that there will be measures in place, to tackle money-laundering and use of the system by criminals.



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## Conclusion

The Utility Settlement Coin brings a lot of dangers with it to the current crypto-environment. With the support of a conglomerate of the biggest banks in the world and respectively central banks in various countries, we can expect the USC to be adopted in one way or another. In the best case they will keep the system in place for interbank transfers, in the worst case they will start a large marketing campaign and implement USC for private use in their existing systems – which would take a lot of attention away from existing cryptocurrencies to USC.

Due to the nature of USC as a bank, or even central-bank issued cryptocurrency, it may be rejected by the majority of cryptocurrency evangelists. This will only have limited effect on the adoption rate though. To assess the full effect USC will have on the markets, more details are needed – which we can expect to see as 2018 progresses.

Statements of core people involved in the project such as: “Bitcoin is Blockchain 1.0, we are working on Blockchain 3.0 here” or “Bitcoin is too slow, too expensive and just a shallow hull of a great idea” make the USC seem more like hostile project to the existing environment, than a project that will fit in and cooperate with the existing systems.

We will release an updated issue about the USC, as soon as more info about the project is released.

To stay updated on our newest reports and news make sure to follow us on Twitter @SolidaryCrypto, contact us via Telegram @SolidarityFund or sign up for our newsletter on our website.

With fraternal greetings,

