



World's first DeFi powered accounts



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Whitepaper V 1.2

## Abstract

Scallop is the world's first regulated Decentralised Finance (Defi) banking application, allowing both retail and institutional participants to seamlessly access the benefits of decentralised ecosystems, with the convenience of traditional bank accounts.

The innovations in Defi applications are promising to transform the way we look at money forever. These solutions are yet to enter the daily lives of mainstream users thus leaving Scallop with enormous potential for user growth and adoption across all global markets. Therefore, our mission at Scallop is to provide these mass markets access to our innovative applications and bring Defi into the mainstream.

Whilst adoption of Cryptocurrencies is growing, Crypto products still have little interaction with the real world. There is a costly and complex conversion from Crypto to fiat currencies before users can use their Cryptocurrency assets in mainstream transactions. This is known as 'fiat on-ramping'. Providing seamless Cryptocurrency integration with conventional banking is a significant milestone on the road to mass adoption. Scallop is the first project to offer this facility. By operating in both the Crypto and the fiat spaces simultaneously, the project enjoys the benefits of both systems whilst limiting the inefficiencies associated with traditional finance. In order to make Cryptocurrencies and their associated products viable for everyday use by the lay person, the products we offer must be made usable, simple and trustworthy. Scallop intends to achieve this through firstly, regulation and transparency and secondly, by employing the latest blockchain technology to create the foundations of a secure project with a global appeal. Scallop operates within the provisions defined by the e-money licensing regulations for UK & the EU and is in accordance with the Electronic Money Regulations, 2011.

Currently, Scallop is waiting for the approvals, which are pending, to operate as an authorised electronic money institution (EMI) defined by the United Kingdom's regulatory body, the Financial Conduct Authority (FCA).

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## Contents

1. Introduction -----	1
2. Scallop "X" products -----	2
3. How scallop works? -----	3
4. Types of memberships -----	5
5. Competitors -----	6
5.1 Competitive advantage -----	6
6. Scallop Token Sale (SCLP) -----	7
6.1 Scallop Token -----	7
6.2 Token utility -----	7
6.3 Reward Structure -----	7
6.4 Exclusive owner benefits -----	8
6.5 Token sale process -----	8
7. Institutional Earn -----	9
8. Security -----	10
9. Regulatory -----	10
10. Scallop Chain -----	11
10.1 Overview -----	12
10.2 Consensus -----	12
10.3 Regulated DApps -----	12
10.4 Privacy -----	13
10.5 KYC (Know Your Customer) / KYB (Know Your Business) -----	13
10.6 Credit Score -----	15
10.7 Application -----	15
11. Scallop Exchange -----	16
12. Fees and Charges -----	17
13. Backers -----	18
14. Conclusion -----	18

## 1. Introduction

Cryptocurrencies acceptance has steadily grown year on year, and some of these are increasingly being adopted in real world use cases. There are, however, still many challenges that need to be overcome to bring virtual currencies into the mainstream. The following are some of these barriers:

- Overcoming the friction and cost when moving between fiat & Defi environments
- Simplifying the complexity of Defi ecosystems & entry barriers for everyday users
- Navigating the complex & increasing regulatory pressures on Cryptocurrency projects
- Overcoming Cryptocurrency's lack of convertibility for use in everyday transactions

Scallop's fintech solution uses blockchain at its core, giving users a safe and secure gateway to the world of Cryptocurrencies. Scallop uses the blockchain to offer users banking solutions that are as secure and as robust as the solutions currently employed by traditional banking services.

The resulting ecosystem is designed, not only to be user friendly, but with a tremendous amount of security at its core. This provides consumers all the tools they need to invest in the many opportunities provided by the Cryptocurrency space, without the complexity or ambiguity currently associated with their use. By combining the convenience of an everyday payment card together with frictionless access to the financial opportunities of the Defi space, Scallop will vastly improve accessibility to both Crypto savvy users and novices alike. We aim to remove as many of the obstacles that currently inhibit many inexperienced users from accessing the virtual currency domain. By providing regulated bank accounts together with a user friendly banking application, Scallop will provide a familiar environment that instills confidence amongst users who are skeptical about the legitimacy of Cryptocurrencies. We strongly believe that we will help bring Cryptocurrencies into general use.

By its very nature, traditional finance will always be subject to controls by regulatory authorities. These banking institutions are thus able to provide services to users not yet available in the Cryptocurrency space. Scallop has therefore entered into an agreement with an Electronic Money Institution to apply for FCA authorisation to deal as an Electronic Money Derivatives (EMD). Once approval of this application is granted, Scallop will be fully compliant to act as an EMD for an Electronic Money Institution (EMI) in the UK. Scallop currently holds a Crypto licence from Estonia and a banking licence from Lithuania to provide Crypto and banking services all across the EU. Recently, Scallop gained a full banking licence to operate in Canada. This will allow Scallop to provide payment cards, have regulated bank accounts and other benefits associated with traditional finance, whilst simultaneously providing seamless access to Cryptocurrency markets and Defi ecosystems in Canada as well. This makes Scallop the first institution in the world to offer customers regulated Defi enabled bank accounts.

Applications for several other similar licences are currently pending around the world. These licence applications are in Singapore, British Virgin Islands and The Cayman Islands to name some. The Caribbean licences will allow Scallop to issue international bank accounts once approval is granted.

## 2. Scallop "X" products

Scallop's aim is to overcome some of the many problems that regular Cryptocurrency users face in today's market. Below is a list of Scallop's ten ("X") products that Scallop is launching and their use cases:

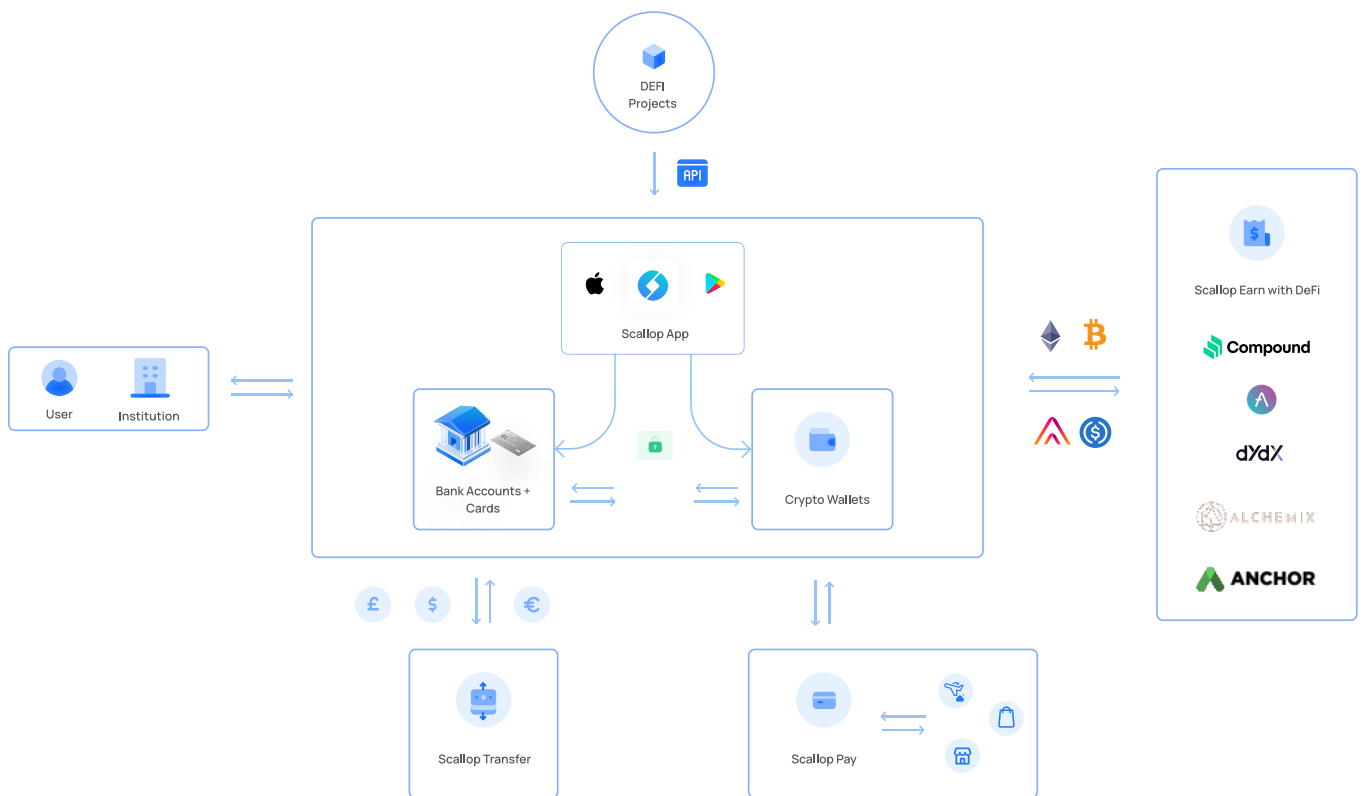
- i. **Scallop Earn** – Collateralized lending/borrowing using cryptocurrencies.
- ii. **Scallop NFT** – Buy, Sell and leverage digital content using a built-in NFT marketplace.
- iii. **Scallop Banking Accounts** – GBP/EUR banking accounts for daily use.
- iv. **Scallop Cards**- Virtual and physical debit cards for accounts.
- v. **Scallop Pay**- Pay for your goods using crypto/Defi tokens.
- vi. **Scallop Multicurrency Wallets** – Multi currency fiat wallets to store and spend.
- vii. **Scallop Money transfer**- Send fiat to anyone, anywhere in the world, using crypto.
- viii. **Scallop Exchange**- A venue to convert crypto/Defi tokens to fiat, vice versa.
- ix. **Scallop Cold wallet** – Store & Exchange fiat/crypto directly from cold wallets.
- x. **Scallop Chain** - Enable cross-chain financial applications.

Providing above ten services on the same platform makes Scallop revolutionary. This not only enables the lay person to use Cryptocurrencies for everyday transactions but it also provides business entrepreneurs productive solutions to connect their businesses to the digital currency domain. Our fintech tools have the potential to become a trailblazing instrument for both companies and individuals who foresee digital assets having the same purchasing power and capabilities of traditional financial assets, and want to take advantage of this accordingly.

### 3. How scallop works?

#### 3.1 System Architecture

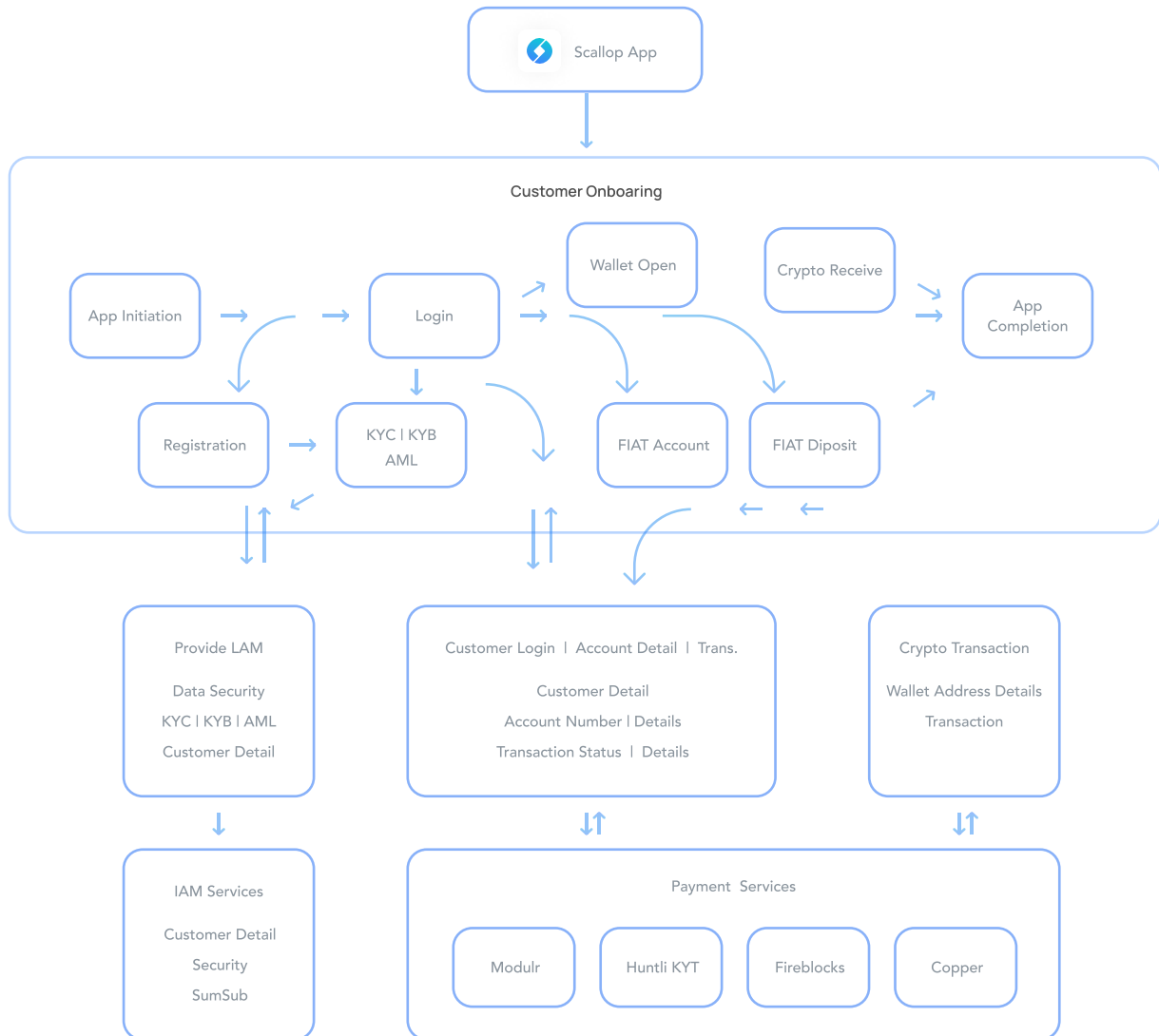
The Scallop system architecture is powered by Scallop chain.



Powering Everything  Scallop CHAIN

### 3.2 App Architecture









The Scallop app interacts with various powerful systems which are powered by Modulr, Huntli, Fireblocks etc.



## 4. Types of memberships :

BASIC Membership	ELITE Membership
Free Banking Accounts	Free Banking Accounts
Free Virtual Card	Free Virtual Card
Free Hardware Wallet (When SCLP Worth \$150 USD Purchased)	Free Debit Card
Free Debit Card (When SCLP Worth \$30 USD Purchased)	Free Hardware Wallet (When SCLP Worth \$75 USD Purchased)
Pay Exchange Fees And Transaction Charges Using SCLP	Pay Exchange Fees And Transaction Charges Using SCLP
ATM Withdrawals \$250 USD Per Month	ATM Withdrawals \$500 USD Per Month
24/7 Customer Live Chat Support	Free Worldwide Travel Insurance
	Dedicated Customer Manager
	24/7 Customer Live Call Support

## 5. Competitors :

Services	 Scallop	 Revolut	 WIREX	 cashaa			 coinbase	
UK Bank Account With Sort Codes	✓	✓	✗	✓	✗	✗	✗	✗
Eu Bank Accounts With IBAN	✓	✓	✓	✓	✗	✗	✗	✗
Multicurrency Fiat/Crypto Wallets With Cards	✓	✓	✓	✓	✓	✓	✗	✓
Direct Debit Cards With Standing Orders	✓	✓	✓	✓	✗	✗	✗	✗
Regulated Crypto Licence In EU	✓	✓	✓	✓	✗	✗	✗	✗
Crypto Wallets For Everyday Use (Send & Receive)	✓	✗	✓	✓	✓	✓	✓	✓
Cold Crypto Wallets	✓	✗	✗	✗	✗	✗	✗	✗
Defi Token Acceptance	✓	✗	✗	✗	✗	✗	✗	✗
Native Blockchain	✓	✗	✗	✗	✗	✓	✗	✗
Market Cap	\$15M (SCLP Token)	\$5.5B (No Token)	\$900M (WTX Token)	\$23M (CAS Token)	\$4.2B (CRO Token)	\$240M (COTI Token)	\$56B (No Token)	\$2.1B (Nexo Token)

### 5.1 Competitive advantage :

Scallop is the first service provider that allows users to instantly convert their Cryptocurrencies through their Scallop bank accounts and spend the converted funds directly in either traditional or online marketplaces. This is a unique service that other banking service providers do not address and is a world first. No other application from our competitors currently provides the breadth of services or accessibility of Scallop. Being the first offers Scallop a significant advantage over the competition in becoming the dominant player in the market as we move down the roadmap.

## 6. Scallop Token Sale (SCLP):

### 6.1 Scallop Token

The Scallop Token (SCLP) is a utility token based on the Binance Smart Chain (BSC) Network. BSC was chosen because of its expansive scope of Defi functionality. The Scallop Token (SCLP) will run natively on BSC with BEP 20.

### 6.2 Token utility

Some use cases for the SCLP token are given below:

- To pay Exchange/transaction fees
- To pay Monthly management fees
- To pay Institutional management fees
- To pay Bank transfer fees
- To pay Loading & Unloading Fee
- ATM fees
- To pay Token hosting fees



SCLP Token

### 6.3 Reward Structure

Scallop offers a reward program to Scallop Account holders. The Scallop Token (SCLP) is to be used as a universal reward token for the following Scallop reward programs:

- Crypto Back - from 0.5% to 1% on every in-store purchase paid in SCLP
- Institutional Offers - discount by institution/merchant networks, paid in SCLP
- Travel Offers - up to 1% for eligible foreign transactions paid in SCLP
- Business Rewards - Business incentives for using ARTH Stable coins, paid in SCLP
- Deposit Incentive - Reward 5% in SCLP Tokens
- Referral Bonus - 20 SCLP tokens when your friend signs up on scallop app
- Sign up Bonus -10 SCLP tokens when you sign up on scallop app

Tokens	Fee Discount	Cryptoback
50,000 SCLP	15%	1.00%
25,000 SCLP	10%	0.75%
10,000 SCLP	5%	0.50%

## 6.4 Exclusive owner benefits

Scallop Token (SCLP) holders will have access to the exclusive Scallop app and Scallop Business features:

Scallop Membership (Elite)	Scallop Business (Institutional)
Discount on fees	Discount on fees
Elite Visa card	Multiple IBANs per legal entity
Higher Crypto back	Dedicated account manager
Bespoke merchant offers and discounts	No transaction limits
Concierge & Dedicated customer service	Enhanced Scallop Business Rewards
Airport lounge access	Bespoke merchant offers and discounts for businesses
Early bird access to new features	Free access to accounting integration (XERO, Sage)

## 6.5 Token sale process

Ticker	SCLP (Scallop Token)
Total token supply	100,000,000 SCLP
Token Type	BEP 20 Token

## 7. Institutional Earn

If A is Total Accrued Amount (principal + interest), P = Principal Amount, I = Interest amount, r = Rate of Interest per year in decimal; R = Rate of Interest per year as a percent; ( $R = r * 100$ ) and t = Time Period involved in months or years then a simple interest equation holds:

$$A = P(1 + rt)$$

For example, an institution decides to invest \$10,00 in the Earn account for a period of 12 months at an interest rate of 12% APY, then the total amount earned by the end of 12 months is:

First, convert R percent to r, a decimal

$$r = R/100 = 12\%/100 = 0.12 \text{ per year.}$$

Putting time into years for simplicity,

$$12 \text{ months} / 12 \text{ months/year} = 1 \text{ year.}$$

Solving our equation:

$$A = 10000(1 + (0.12 \times 1)) = 11200$$

$$A = \$11,200.00$$

The total amount accrued, principal plus interest, from simple interest on a principal of \$10,000.00 at a rate of 12% per year for 1 years (12 months) is \$11,200.00.

## 8. Security

Security on our platform is of paramount importance, and we address this by steadfastly adhering to the following security measures:

- Scallop offers users personal hardware wallets with EAL 6+ technology and bank grade security to store, send and receive Crypto funds.
- Scallop also offers users software wallets where their funds are stored in cold wallets. These cold storages are insured by our partners against loss by up to \$100 million USD.
- Fiat funds are stored in major banks and secured under FSCS in the UK and Europe.
- Scallop token contracts are insured by using one of the most prominent Crypto insurance providers.

## 9. Regulatory

Scallop has been granted the prestigious MSB licence by FINTRAC to carry out banking operations in Canada. This licence allows Scallop to operate a robust DeFi banking ecosystem into an important North American region, offering those users and institutional partners the full range of regulated Crypto & banking services.

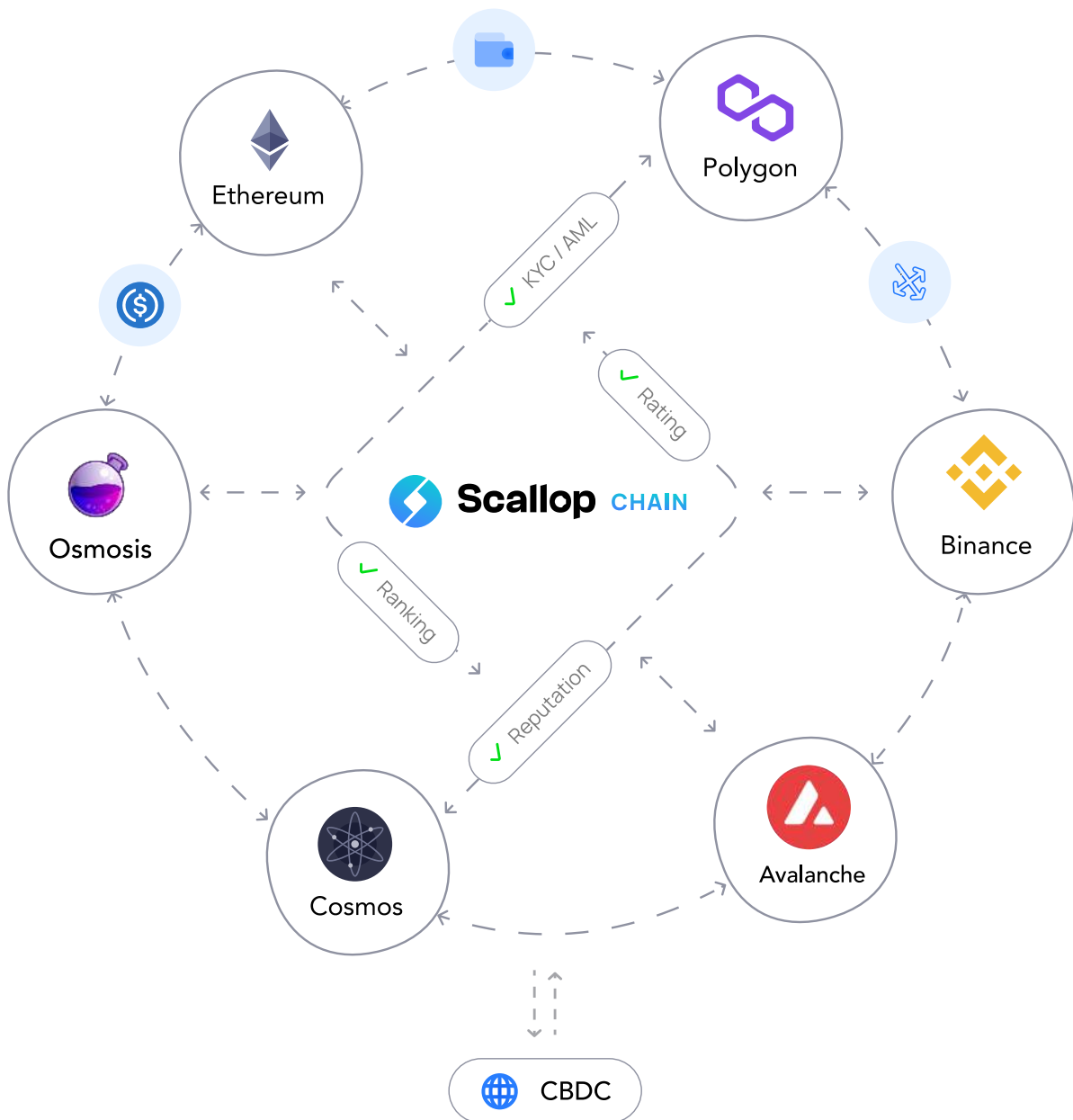
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- (a) International Accounting Standards issued by the IASB;
- (b) International Standards on Auditing (UK and Ireland); and the Companies Act 2006.

## 10. Scallop Chain

Scallop Chain is world's first regulated blockchain built on Cosmos framework on Tendermint system.

1. Regulated Wallets
2. Regulated Tokens
3. Regulated Proof of stake
4. Regulated Substations
5. Regulated DEX wallets
6. Regulated DeFi wallets
7. Regulated CBDC exchange



## 10.1 Overview

Scallop Chain is a world-first regulated public blockchain which allows for users on the chain to interact with decentralised applications and other users/entities on-chain in a regulated manner.

The scallop chain is a cosmos chain using the Tendermint PoS Consensus mechanism. Which means that Scallop chain is both cosmos-captible and EMV-compatible.

## 10.2 Consensus

Scallop chain uses the Tendermint Proof-of-stake (PoS) consensus mechanism. The blockchain uses validator nodes to validate transactions and secure the chain.

All validators need to stake SCLP tokens and should also get voted in by the SCLP tokens. The chain can support over 1000+ validator nodes.

Brief about Tendermint consensus [\[link\]](#) used by Scallop chain:

Tendermint is a partially synchronous BFT consensus protocol derived from the DLS consensus algorithm. Tendermint is notable for its simplicity, performance, and fork-accountability. The protocol requires a fixed known set of validators, where each validator is identified by their public key. Validators attempt to come to consensus on one block at a time, where a block is a list of transactions. Voting for consensus on a block proceeds in rounds. Each round has a round-leader, or proposer, who proposes a block. The validators then vote, in stages, on whether to accept the proposed block or move on to the next round. The proposer for a round is chosen deterministically from the ordered list of validators, in proportion to their voting power.

## 10.3 Regulated DApps

The main aspect of the scallop chain is that it is a regulated chain, in that every app/user within the ecosystem is KYC'd to a centralised entity (in most cases the regulator).

Users who are not KYC'd or applications that are not KYB'd have restrictions that apply to them. Validators will automatically reject their transactions ensuring that only regulated parties can have access to the chain.

## 10.4 Privacy

Users who are on-boarded onto the scallop chain need to only share their data with the regulator and are then marked with a pseudo-anonymous address as a “verified address”.

This allows the users to maintain his/her privacy from other wallets within the chain but also follow the rules that a regulator would like to enforce.

## 10.5 KYC (Know Your Customer) / KYB (Know your Business)

All applications/users undergo a KYC/KYB before they are allowed to interact with the chain.

Because of the identification process, users who interact with the chain have less of an incentive to attack the chain.



- **Regulated Wallets:** At the heart of the Scallop Blockchain lies the KYC and AML process. This makes Scallop the first blockchain to provide regulated wallets. These wallets are only issued upon successful completion of the KYC and AML process, after which users can create their wallet directly on the Scallop Chain.
- **Regulated Tokens:** Projects or Dapps that want to build on Scallop Chain also have to undergo a KYB process, as well as regular KYC and AML checks. Having successfully completed this process, projects are able to build on our chain and mint a token. These tokens will be the first ever regulated tokens because they can only be sent and received between regulated KYC and AML verified wallets. As an example, a token like USDC minted on the Scallop Chain can only be sent or received between two verified wallets on-chain. This mechanism reduces the risk of scams and fraud since ownership of all transactions are traceable from source to destination, thus making it more difficult for fraudulent funds to leave our ecosystem. We see this as a vital step in moving the cryptocurrency space forward by providing regulation and therefore security to the transactions taking place.

- **Regulated Proof of stake (POS):** Scallop's native chain is a POS blockchain. Validators have to go through KYB and KYC to run a node on-chain, meaning that Scallop is also the first regulated POS blockchain.
- **Regulated Substations:** Scallop chain is built on both the Tendermint and Ethermint consensus. This means our chain is compatible with both the Cosmos and EVM blockchains. This allows users to connect to Scallop Chain via Metamask and use normal EVM addresses for the exchange of tokens. In order to use normal EVM addresses, users log into the Scallop Chain web app, connect their metamask and then whitelist the EVM address which they would like to use. During the whitelisting process the wallet is checked through Chainalysis and Ecliptic. If no fraud is found the wallet is then linked to the user profile on the Scallop Chain. Upon completion, the user can then send funds from their Scallop chain address to their EVM address in Metamask . In order for users to move funds in and out of the Scallop Chain, we created a new system called Scallop Substation. As an Example: When sending 100k USDC from Ethereum to the Scallop chain; Users will have to connect their Metamask, ledger or Walletconnect to the Scallop Substation. Using the EVM address which has been whitelisted, they will be automatically switched to the Ethereum chain. Users can then send the tokens to the Scallop substation. Here, the funds and the wallets are checked for any connections to the dark web through CTF (Counter Terrorist Funding) and AML checks using Chainalysis and Ecliptic. On successful completion of these checks, the funds are then deposited into the destination wallet on the Scallop Chain. Similarly, when moving tokens out of the Scallop Chain to another EVM chain, the same process is invoked.
- **Regulated DEX Wallets:** EVM based wallets will interact with DEX's. By adding these EVM based wallets to the Scallop chain we are able to create regulated, AML and KYC approved DEX wallets.
- **Regulated Defi Wallets:** Similarly, user's can create verified Defi wallets on the Scallop chain which can be linked to Defi protocols.
- **Regulated CBDC Exchange:** CBDC's, also known as Central Bank Digital Currencies, are used for financial activities and limited to the country in which they are created. An example is the eYuan, which is used exclusively in China. In the future, when other countries have created their own CBDC's, we will need a decentralised exchange ecosystem to facilitate the trade of these different CBDC's. Scallop, currently being the only regulated chain, will be tokenising these CBDCs and making them globally accessible for trading against other currencies.

## 10.6 Credit Score

As part of someone's "decentralized identity," a portion of a person's online activity would then be "on-chain," meaning that it would be public and easily searchable via their individual crypto wallet. On scallop chain every wallet is regulated So all the wallets of one user can be combined.

On-chain data could be used to gauge engagement or interest in specific creators or brands. A music artist, for example, could easily identify their top fans based on platform-agnostic, on-chain interactions and reward them with exclusive access or other perks. In the financial realm, decentralized identity could enable an internet-native credit score, which might have applications for issuing loans, performing tenant checks, establishing credit, and beyond.

1. User identity
2. Online reputation management
3. Personalized user experience
4. Credit scoring
5. Customer loyalty

## 10.7 Application

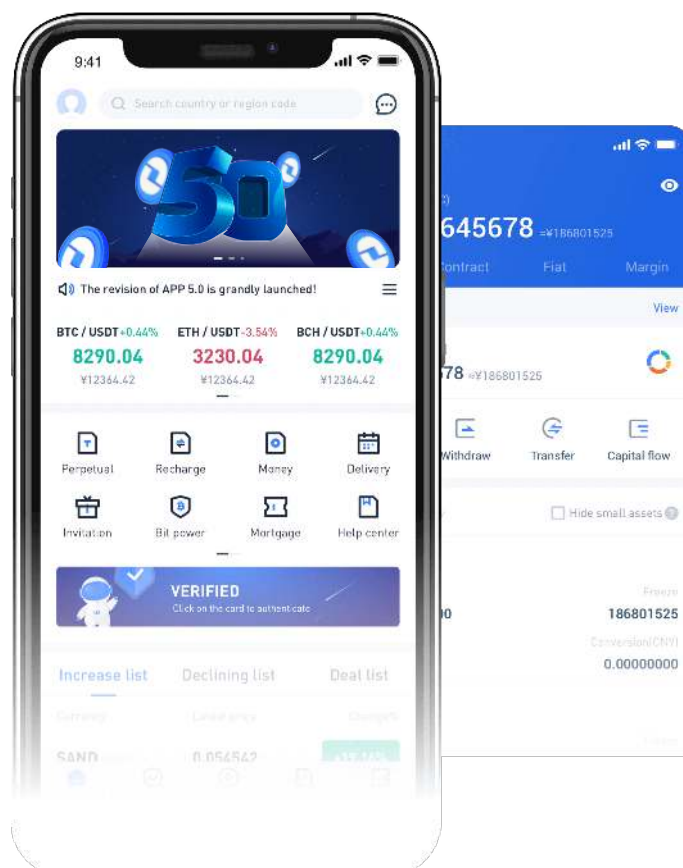
Risk needs to be managed for a wallet, where a fundamental concept of a credit score is needed to enable safe and secure Defi use cases  
Web2 has shown the revolution the personalized app behavior can achieve, ex: E-commerce apps recommends different home page based on your previous usage. Similar concept can be brought to web3 as adoption increases.

Given community plays a major role in Web3, It's important to pick the right wallets to be in the community(through discounted token prices)

## 11. Scallop Exchange

### Unique Features

- **Scallop Pay:** Pay for goods & services at your favorite merchants using crypto
- **NFT futures:** Scallop is the future exchange that allows users to trade NFT floor prices as a future contract.
- **Deep liquidity:** Scallop exchange aggregates liquidity from the top 5 cryptocurrency exchanges (eg: Binance, Huobi, Okex etc..) so that users that trade on scallop exchange always get the best price.
- **Margin & Futures:** Scallop exchange allow users to trade derivatives which allow users to borrow money and also trade futures & options.
- **High leverage:** Scallop exchange offers up to 5x leverage on margin accounts and up to 100x leverage on futures & options.
- **Insured:** Every deposit made within scallop exchange is insured by a 3rd party custodian if any hacks or loss of funds.
- **SCLP token integration:** The exchange is tightly integrated with the SCLP token where all trading fees can either be paid using SCLP tokens and is collected to buyback and burn the SCLP token.
- **Security Exchange:** Regulated: licensed centralised exchange for digital assets like Stocks, REIT & NFT futures.



## 12. Fees and Charges

### 1. Scallop app Fees

- **Basic User** : 1.5% exchange fee
- **Elite User** : 1% exchange fee after staking 10k worth of SCLP tokens
- **Charge** : 10p charge on each transaction after 30 transactions to basic users
- **Top up charges**: 2% top charges when debit/credit card is used

### 2. Exchange Fees

- **Maker charges** : 0.1%
- **Taker charges** : 0.01%
- **Daily Trading Vol > 100K** : 0.09%
- **Daily Trading Vol > 1M** : 0.05%
- **Daily Trading Vol > 5M** : 0.03%
- **Listing charges** : 20k - 30k

## 13. Backers

Scallop was incubated by Mahadao and backed by various prestigious blockchain institutions such as Kucoin Labs and Bitcoin.com exchange, amongst many others.. For further information please see our website. We have been extremely fortunate to be in collaboration with a community that has provided unparalleled support to the company at every stage of development. Similarly, our investors have provided exceptional strategic support and structure to the company.

## 14. Conclusion

The Scallop app will prepare people for a future where Cryptocurrencies are an accepted part of everyday life. The simple fact is that no other bank or Crypto project offers Scallop's range of integrated products. Simple, secure and progressive, our platform intends to provide many opportunities to help Cryptocurrency users realise the potential of the digital space and bring Cryptocurrency transactions into the real world.