Digital Gamma Venue FAQ

- **Why participate in the Digital Gamma Venue?**

  The Digital Gamma TPR Marketplace has been designed to offer a transparent and robust borrow/lend venue. Transactions are bilateral and managed by a rules-based risk management process. This mitigates problems that plague the crypto borrow landscape - opacity and counterparty credit risk. As a user, you will see the existing market before entering your bid or offer. This eliminates participating at an off-market rate. Beyond this, you have the ability to work levels, and be required to hit someone else's bid or lift someone else's offer. In short, it arms you with market information before you execute a trade.

  See the rate. Find counterparties. Know that everyone in the market is KYC/AML and that there is a robust protocol for credit risk management. Capitalize on interest rate opportunities or just better focus on your trading business.

- **Who can participate?**

  Digital Gamma customers can participate. and one can become a customer by signing a TPR Agreement. In addition, eligible customers for the marketplace are all non-US entities plus US entities and persons that are domiciled in New Jersey. We have an application in to obtain an Illinois money transmitter license and are optimistic that it will be granted just before our mid-June launch target.

  Please note that all participants must have a Gemini Exchange or Copper.co account open in order to settle transactions. Further, all participants will need to go through our KYC/AML process.

- **What is a TPR Agreement and what is the legal framework?**

  The TPR Agreement is the legal document explaining and governing the Digital Gamma Tri-Party Repo protocol. It functions as a master agreement for all Digital Gamma Repo transactions. It is based on the Global Master Repo Agreement and has been extended to cover a volatile market like cryptocurrency. The TPR Agreement is signed once by each participant unilaterally. Each specific transaction (or trade) is defined by and governed by a Terms Agreement that references and thereby includes the TPR Agreement (master).

- **What will be in the venue on day one?**

  The Digital Gamma marketplace will include borrow markets for USD, USD stablecoin, BTC, ETH, and BCH currencies. All transactions must conclude with actual delivery, defined by the CFTC, within 28 days.
Digital Gamma will provide a venue for participants to post their interest in selected markets. The first orderbook to be shown will be a 2 week, fully collateralized, 30% margin, BTC/USD borrow. In addition, we will facilitate RFQ via messaging or voice broking for TPRs in other currencies, durations, or terms. For instance, for a 1 week ETH fully collateralized without margin, customers may call us to get counterparties and rates lined up.

These are still early days and we want to hear from YOU. What would you like to see? Sign a TPR Agreement and we will engage you in order to facilitate your needs & business.

- **Is it beta or production?**

  We are planning on an August 1st production launch. Which means that the mid-June target is beta.

- **Is it limited to number of participants?**

  Yes, but not a firm number. We want to ensure the best experience for our beta design partners and that means creating a good mix of participants. We want market makers but not a group exclusively of market makers. Ideally we are creating an ecosystem of players that has different time horizons, strategies, and needs.

- **Can I just see the market?**

  Only TPR Agreement signers are eligible to get a login to see the actual market or call us for help in finding counterparties.

- **How does it work?**

  Digital Gamma provides a venue for borrowers and lenders to come together in one place. Everyone in the venue knows that every participant has been passed KYC/AML processes by Digital Gamma and their participating custodian (Gemini or Copper). And everyone knows that the transactions will be governed by the TPR protocol and thereby all participants have agreed to the credit risk management controls.

  Deals and counterparties can be found in multiple ways. First, a standardized, central limit order book is available. For example, a BTC/USD, 2-week, fully collateralized, 30% margin, 1 BTC minimum, borrow contract. Everything is kept the same and the only difference is the rate. Second, any participant can message or phone Digital Gamma for a custom deal. For instance, a 1 week ETH/USD borrow or 17 day BTC/ETH borrow. Digital Gamma will then function as an OTC broker to help create an efficient market.

- **What do I need to participate?**
Participants need:

- to be domiciled outside of the US or in New Jersey (and hopefully soon in Illinois).
- A Gemini Exchange and/or custody account or Copper.co account
- Signed TPR Agreement
- An understanding of the cash flows. We encourage a short term test transaction prior to market open.

Please reach out: ari@digital-gamma.com or paul@digital-gamma.com. We are both ready to answer questions and help you onboard.

- Can I lose money since it is fully collateralized?

Yes, it is possible but improbable (please read the whole answer).

In order to lose money, two things have to happen. The first and primary event is that your counterparty must default. Generally that means not to make a margin call or fail to deliver an asset of some sort. In which case, Digital Gamma will follow the default process indicated. The quick description of this is to access the escrow held by Digital Gamma for this transaction in order to appropriately make the non-defaulting party whole. Should the collateral you hold move adversely in a big enough move, it is possible that you can lose money.

We provide the math to make a reasonable business decision but no extension of credit (defined to be future financial performance) is both without risk and with reward. Our goal at Digital Gamma is to minimize credit risk in term transactions and to provide you the data and framework to make good business decisions. All business decision involve risk — including the risk of not participating and losing out on opportunities. Only you are qualified to make that decision for you or your firm.

Also note that leverage makes the improbable more likely.

Please reach out to us and we are happy to answer questions.

- Are you registered with the CFTC?

No. Transactions that are 28 days or less are not in the purview of the CFTC. That said, we operate in a way that is fully compliant with money transmission laws & regulations. Further, we operate in a way that is familiar with market participants from commodity and capital markets. We aim to operate "as if" we are already being supervised even though we have no obligation to do so.

- Is 100% margin actually leverage? And on top of that 30% margin??

Yes! It just is not infinite leverage. Consider:
You have $90,000 and buy 10 BTC at $9K/coin. You take advantage of the DG RP market and post the 10 BTC as collateral to obtain $90,000. It requires you to post 30% or $27,000. That means that you can now go out and buy up to $63,000 of additional BTC (or whatever is on your shopping list). We don't recommend using all of it because if BTC goes down, there is a margin call requirement that will be hard to make without any remaining cash.

- **How do I move money?**

  It varies slightly depending on the custody venue, but essentially the counterparties to a TPR transaction agree to trades that represent a collateral exchange. Additionally, escrow is sent to by counterparties to a Digital Gamma escrow management account. For the record, it is not possible for Digital Gamma to unilaterally abscond with customers assets.

- **Can I earn interest in Crypto?**

  Yes, of course. Even better, you will get collateral that you can use in exchange, such as USD or ETH or something else.

- **Can I borrow USD?**

  Yes. A repo can be set up to borrow USD and post crypto as collateral. It can also be set up to borrow crypto and post USD (or another cryptocurrency) as collateral.

- **What is my liability?**

  These are actual legal obligations between you and your counterparty. **Digital Gamma is not your counterparty and is not a clearing house and cannot guarantee that you will be made whole.**

  Your responsibility is to abide by the obligations of the deal: post collateral as necessary, make margin calls, and complete the transaction as described.

- **Who sets the rate?**

  You! This is a venue for participants to find a fair rate for transactions. Post your interest or take an offer.