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ILLUSTRATIVE PURPOSE, NUMBER MAY DIFFER.



JAN 2024

# Staking Performance Report

The purpose of this report is to offer a transparent  
information about the performance of the Earn  
Account for both Individuals and Businesses.

Welcome to the latest edition of our **monthly Staking Performance Report**.

We believe **transparency is essential** for any fintech or crypto company. This report, provides a comprehensive overview of our **Staking product performance, distribution and metrics of security**.

THE RAND TEAM

# How do we want to change the game?

In 2021, we spotted a game-changing opportunity to shake up the traditional savings scene. We ditched the old playbook and embraced Blockchain's staking tech to craft a radically transparent, ultra-competitive, and downright innovative alternative. Our mission? To launch a new breed of high-yield accounts, turbocharged by next-gen tech. Think of it as the savings account, reimagined for the modern saver who's all about smart, tech-savvy financial moves.

## Overview of Staking

Let's start with the blockchain basics – think of it as the backbone of modern digital transactions. It's a decentralized ledger, spread out across countless computers, making every transaction transparent and tamper-proof. This isn't just an upgrade; it's a complete reinvention of how we record and secure data.

Now, staking – this is where it gets exciting for the blockchain world. Here's the lowdown:

### Proof of Stake (PoS)

Moving away from Bitcoin's power-hungry Proof of Work, PoS steps in as the energy-smart alternative. It's all about staking your crypto to get a seat at the validation table – less energy, more efficiency.

### The Staking Process

Think of it as putting your crypto to work. Validators lock up their digital currency as a stake, and this commitment boosts their chances of being chosen to validate transactions and create new blocks.

### Rewards for Your Stake

It's not just about doing good for the network; there's a perk. Validators earn rewards – think transaction fees or new cryptocurrency. It's a win-win: secure the network and get rewarded.

### Security and Efficiency

Staking is a game-changer. It ramps up security and cuts down on the energy drain, making it a smarter choice for both the network and stakers.

Becoming a validator involves a three-step process:

1. Setting up a native validator node.
2. Purchasing the blockchain's native asset.
3. Engaging in 'staking' by locking the asset through the validator node.

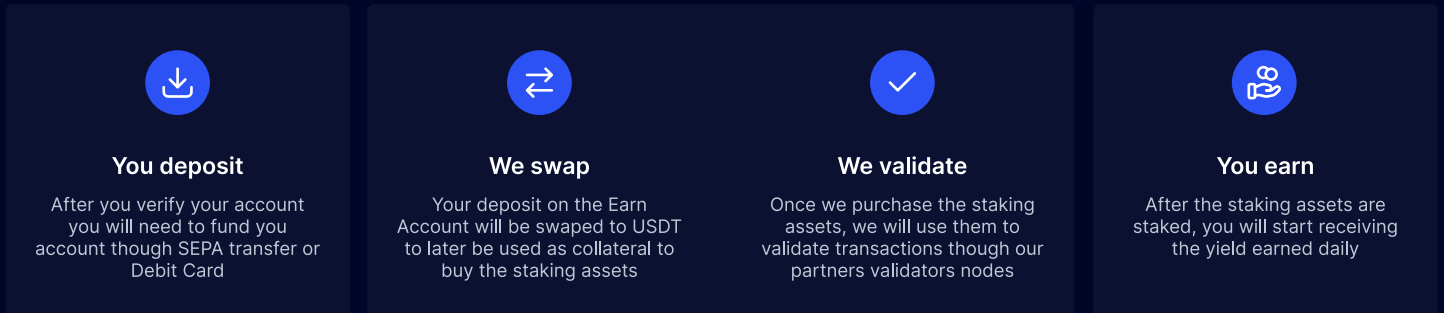
Staking is reshaping the crypto landscape, offering a more sustainable, democratic way to mine and validate transactions.

# Our method

At Rand we've made the whole process of staking easy for you. We've joined forces with trusted staking providers in Europe who use strong validators, and we've collaborated with top-notch custodians to ensure the utmost security for your funds.

This, allows us to earn fees by validating transactions while keeping these blockchains running smoothly. We then channel the yield into a user-friendly account where you can easily deposit and withdraw your funds.

The process looks like this:



Furthermore, we collaborated with regulated custodians and brokers to develop a custom hedging engine in order to mitigate the volatility risk of the assets we stake. This strategy ensures that we remain unaffected by market shifts, allowing you to view your investments and earn returns through a stablecoin-based account.

# Our commitment to security

Every company like ours recognizes that security and trust are paramount. These principles form the core of Rand's security framework:

## Compliance and Regulation

It's crucial to stress that Rand is not just a forward-thinking platform; we're a fully regulated entity. We're proud to hold Custodian and Exchange registrations from the Bank of Spain. This means we operate in strict accordance with European regulatory standards, providing an extra layer of security. You can trust that your investments are handled carefully and in line with all legal requirements.

## Custodian Insurance

We've collaborated with leading industry custodians, specifically Copper and BitGo, to guarantee unparalleled security and data encryption for all user wallets. This partnership not only elevates the security standard for our users' funds but also enables us to extend indirect custodian insurance. This collective insurance, shared among all clients of our custodian partners, provides coverage of up to €750 million for all assets under custody.

## Volatility Hedging of Staked Assets

Blockchain assets can be wildly unpredictable. Without proper management, your deposits could be at the mercy of market swings. Our approach to managing these market risks is both smart and effective. Over the past three years, we've developed a hedging engine to protect your invested value, think of it as an insurance against price swings. We've taken inspiration from traditional hedge funds and applied these strategies to the blockchain world through our custody and brokerage partners. Thanks to this, when the market goes haywire, we keep your staked assets' value safe and sound.

## Diversification of Staking Chains

Diversification is a cornerstone of risk management, and at Rand, we put this into practice. We diversify the blockchains we work with, not only to boost security but also to stay competitive. This approach ensures we're not putting all our eggs in one basket. As a result, we can offer stable returns, even when individual blockchains experience turbulence.

# Portfolio Allocation by PoS Blockchain Tier

Rand categorises blockchains in 3 tiers:

## TIER 1

- Highest level of security and decentralization. These blockchains are typically more resistant to attacks and have a wide distribution of nodes.
- Large market capitalization with a substantial and active user base.
- Often pioneers in introducing new technologies and features in the blockchain space.
- High transaction throughput while maintaining a degree of decentralization.

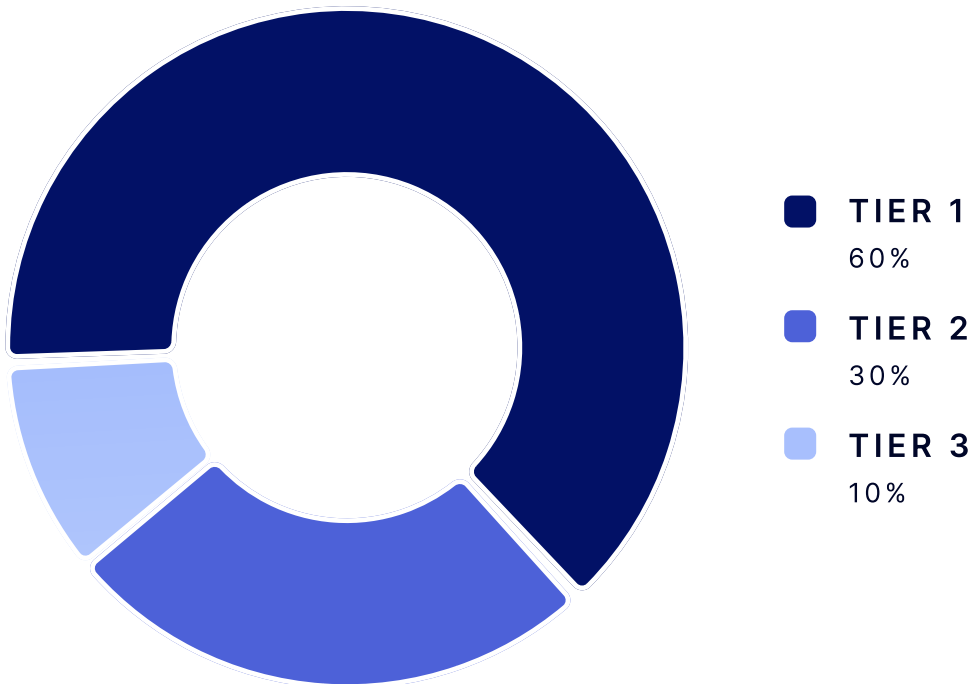
## TIER 2

- Moderate level of security. Less decentralized compared to Tier 1 but still maintaining a good level of network distribution.
- Medium market capitalization with a growing user base.
- Implement improvements and new features, sometimes influenced by Tier 1 technologies.
- Balances scalability and decentralization, sometimes making trade-offs for improved performance.

## TIER 3

- Lower levels of decentralization. These are often newer or less established networks.
- Smaller market capitalization with a niche or developing user base.
- May focus on specific use-cases or innovations not yet widely adopted or proven
- May offer high scalability, often at the cost of reduced decentralization or security.

# Portfolio Allocation by PoS Blockchain Tier



As of January 2024 reflects a nuanced and informed investment strategy. We have allocated 60% of our assets into Tier 1 Blockchains, capitalizing on their established reputations, strong market presence, and proven track records. This significant investment in Tier 1 blockchains underlines our commitment to stability and reliability, anchoring our portfolio in networks that have consistently demonstrated resilience and robust performance.

Complementing this, 30% of our portfolio is invested in Tier 2 blockchains. Our strategy here leverages the growth potential and innovative aspects of these networks. While they may not yet have the same level of market penetration as Tier 1 blockchains, their evolving technologies and increasing adoption present valuable opportunities for strategic growth and diversification and normally offering a higher APY return.

The remaining 10% of our portfolio is strategically placed in Tier 3 blockchains. This allocation acknowledges the potential of emerging technologies and nascent networks. These blockchains, though smaller in scale and in the early stages of development, offer unique propositions and groundbreaking solutions. This portion of the portfolio represents our willingness to invest in future growth and innovation, recognizing the long-term potential these blockchains hold.

Overall, our portfolio allocation is a reflection of a balanced approach, combining stability with growth and innovation. By investing across different tiers, we are not only leveraging the established strengths of Tier 1 blockchains but also tapping into the potential of Tier 2 and Tier 3 networks. This strategy ensures our portfolio is well-positioned to benefit from a broad spectrum of blockchain developments, maintaining both diversity and decentralization in our investments.

# Appendix

The main objective of Tesseract's credit due diligence process is to ensure that all key risks that could potentially lead to the borrower defaulting on the loan are identified. These are then reflected in the credit score (Tier categorization) and collateral requirements for the borrower.

## Key facts about our operations

### **KYC/AML Compliance**

Assessment of borrowers' regulatory status to ensure Tesseract works with fully compliant counterparties.

### **Delta neutrality of investments**

Assessment of the borrowers' investment strategies and risk mitigation techniques related to market-making activities ensuring delta neutrality and low risk levels.

### **Non-financial risk**

Assessment of past performance in terms of reputation, management experience and information security and other operational risk practices.

### **Solid financial base**

Assessment of profitability, volatility, leverage and concentration of borrowers' financial performances.





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