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KLAYTN PROPOSAL [KGP-25] >    FINSCHIA PROPOSAL [FGP-23] >

Klaytn Official Site >  |  Klaytn Whitepaper >      Finschia Official Site >  |  Finschia Whitepaper >

# SUMMARY

## The Klaytn and Finschia ecosystems will merge with the aim of establishing Asia's leading Web3 ecosystem

### klaytn

**No.1 Infrastructure Assets in Asia**

Leading the Asian Blockchain Landscape
Achieving a $376B Trx Volume and $1B TVL

- EVM-Based Assets with **5Y+** of Tech
- Existing Mainnet/Product Ecosystem
  - Governance: **30+**
  - DApp & Service**: **230**+
  - Wallet Users: **29M**+
- Token MarketCap: **USD 673M**+
- Web 3 Community: **240K**+
- Infrastructure Linked to Kakao

Initiated by **Kakao** [***]

### PROJECT DRAGON

## Asia's No.1 Blockchain by Infrastructure and Web3 Services

- Ecosystem Grounded on 250M Wallets [****]
- Sustainable Value Creation Tokenomics
- Technical Compatibility with New Network
- New Governance and Decentralization

### Finschia

**No.1 Product Assets in Asia**

Leading in the Web3 Product Sector in Asia
Largest Web3 Investment in Asia ($140M) [*]

- Cosmos-Based Assets with **5Y+** of Tech
- Existing Mainnet/Product Ecosystem
  - Governance: **15+**
  - DApp & Service**: **190**+
  - Wallet Users: **5.6M**+
- Token MarketCap: **USD 213M**+
- Web 3 Community: **170K**+
- Infrastructure Linked to LINE

Initiated by **LINE** [***]

# BACKGROUND

## As global Web3 adoption grows, Asia's Web3 industry value share continues to see fragmentation

### Digital Web3 Environmental Changes

- Global Cryptocurrency Market Capitalization (Billion USD)
- Cumulative Number of Global Blockchain Wallet Users (Million)
- Scale of Web3 PoC Among Fortune 100 Companies (Number of PoCs)

(Bil USD) | (Mil)

144
127
77
34

2,500 / 250
2,000 / 200
1,500 / 150
1,000 / 100
500 / 50
0 / 0

2017  2018  2019  2020  2021  2022  2023
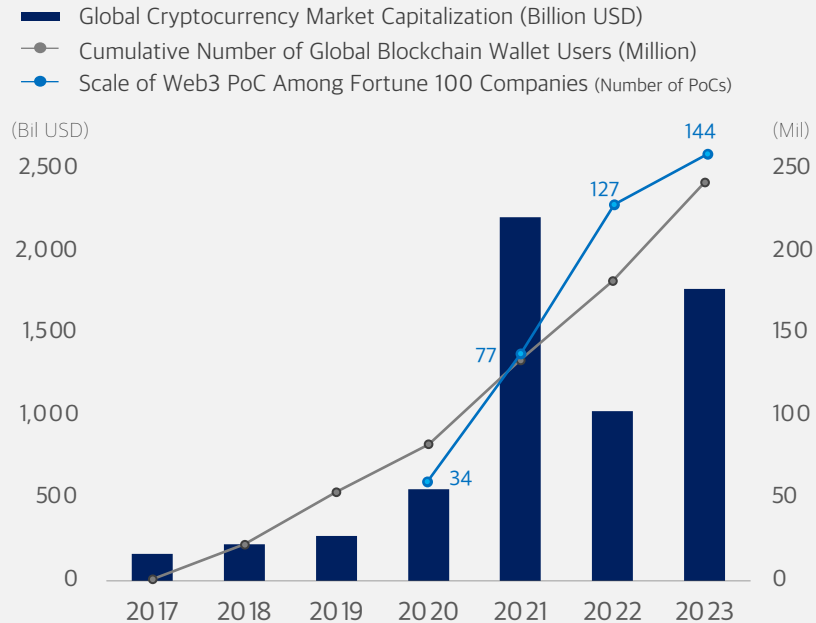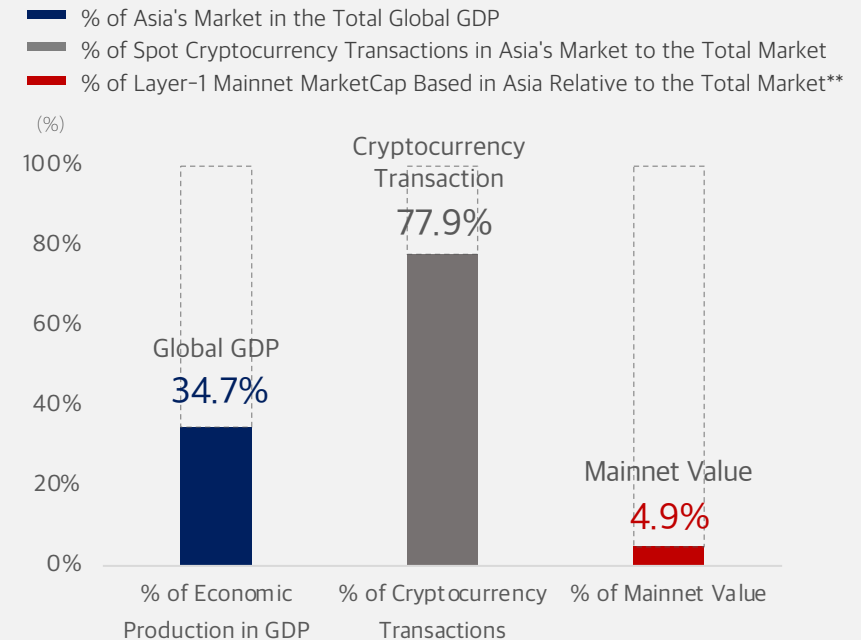
We are at the threshold of a digital Web3 transition. The approval of BTC ETFs and the acceptance of AI are expected to further accelerate the digital environment changes.

### Influence of the Asian Market

- % of Asia's Market in the Total Global GDP
- % of Spot Cryptocurrency Transactions in Asia's Market to the Total Market
- % of Layer-1 Mainnet MarketCap Based in Asia Relative to the Total Market**

(%)

100%
80%
60%
40%
20%
0%

Global GDP
34.7%

Cryptocurrency Transaction
77.9%

Mainnet Value
4.9%

% of Economic Production in GDP | % of Cryptocurrency Transactions | % of Mainnet Value

Although the Asian market drives 34% of global production(GDP) and 77% of the cryptocurrency transaction volume, the blockchain value is highly fragmented at only 4.9%.

# VISION

## To merge two of Asia's largest ecosystems to fuel and drive the mainstream adoption of Web3

Vision

# Mass Adoption of Web3

## klaytn
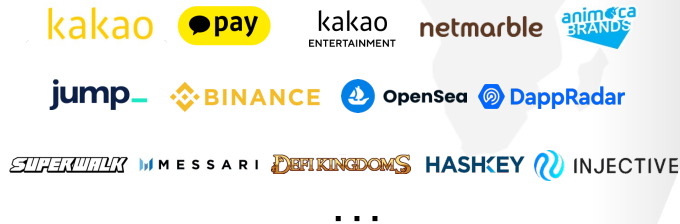Initiated by **Kakao** [*]

Since 2018, Klaytn has positioned itself as Asia's No.1 Web3 infrastructure, including a Kakao messenger-based wallet, participation in Korea's CBDC project, and forming the largest De-fi ecosystem in Asia.

### DApps, Partners, Use Cases (260+) [***]

kakao | pay | kakao ENTERTAINMENT | netmarble | animoca BRANDS

jump_ | BINANCE | OpenSea | DappRadar

SUPERWALK | MESSARI | DEFI KINGDOMS | HASHKEY | INJECTIVE

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## Asia No.1 Blockchain

Asia Largest Wallet User Base

# 250M+ [****]

Asia Largest DApps & Services

# 420+

Asia Largest Web3 Governance

# 45+

Asia Largest Web3 Resources

# 450+ [*****]

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## Finschia
Initiated by **LINE** [*]

Since 2018, Finschia has been creating Asia's No.1 product assets, such as token trading based on the LINE messenger, messenger-integrated NFTs, and constructing the largest NFT market in Asia. [**]

### DApps, Partners, Use Cases (200+) [***]

LINE | SoftBank | YG PLUS | SHINSEGAE | CJ ENM

NAVER | double jump.tokyo | K Auction | GOODGANG LABS

LINE Xenesis | superflux | Rich Alien | LOADCOMPLETE | NOLATENCY

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# STRATEGY

## A new ecosystem strategy to facilitate industry leading value creation and sustainability

PROJECT DRAGON

**klaytn**

### Establish New Layer 1 Strategy to Facilitate Optimal Competitiveness & Growth

**Finschia**

| ① Ecosystem Grounded on 250M+ Wallets | ② Tokenomics Focused on Sustainable Value Creation | ③ Technical Compatibility with New Network | ④ New Governance and Decentralization |
|---|---|---|---|
| Integration of Messenger-Based Infrastructure and Existing Web3 Ecosystem | Burning 23.6% of Issued Tokens and Building a new 3-Layer Burning Model | Providing an Integrated Network Environment Compatible with Ethereum and Cosmos | Establishing the Largest Web3 Governance in Asia and Maximizing Decentralization |
| • Integration of messenger-based Web3 infrastructure<br>• Integration of 460+ DApps, services, and governance.<br>• Integration of 34M+ wallet users & 410K+ Asian community members | • 23.6% of the merged token supply to be burned and 100% of the non-circulation amount to be removed<br>• Reduction of inflation<br>• Development of a 3-Layer burning model | • The merging of a cumulative 10 years of technological assets and resources from EVM/CosmWasm<br>• Provision of a new integrated mainnet with compatibility for both EVM and CosmWasm | • Establishment of the largest governance structure based on 45+ enterprise partnerships in Asia<br>• Decentralization strengthened through expanded governance and enhanced community delegation |

# NEW ECOSYSTEM

## Establishing Asia's largest Web3 ecosystem via the merging of region leading ecosystems
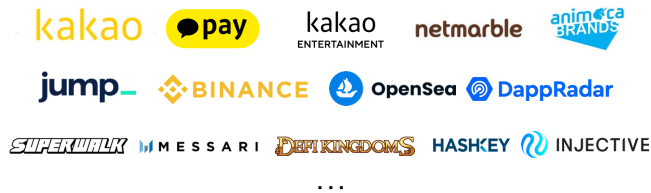
### klaytn

**Kakao-based Infrastructure\***

- Kakao-Linked Wallet and FT/NFT Transfer Functionality
- Kakao-based NFT drops and trading features
- NFT authentication-based Kakao Open Chat services

**DApps, Partners, Use Cases**

More than **260+** cases\*\*

kakao · pay · kakao ENTERTAINMENT · netmarble · animoca BRANDS

jump_ · BINANCE · OpenSea · DappRadar

SUPERWALK · MESSARI · DEFI KINGDOMS · HASHKEY · INJECTIVE

…

**Wallets & Community**

Wallets **29,000,000+** | Community **240,000+**

### MERGED ECOSYSTEM

### PROJECT DRAGON

Establishment of a New Brand
Following Governance Approval

### Finschia

**LINE-based Infrastructure\***

- LINE-Linked Wallet and Messenger based NFT Features
- NFT on-ramp payments and LINE Pay's FT payment
- NFT Stamp issuance and trading features

**DApps, Partners, Use Cases**

More than **200+** cases\*\*

LINE · SoftBank · YG PLUS · SHINSEGAE · CJ ENM

NAVER · double jump.tokyo · K Auction · GOODGANG LABS

LINE Xenesis · superflux · Rich Alien · LOADCOMPLETE · NOLATENCY

…

**Wallets & Community**

Wallets **5,600,000+** | Community **170,000+**

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- All infrastructure, products, users, and communities that previously existed on the Klaytn and Finschia mainnets will be merged into unified mainnet and ecosystem.
- The new mainnet will inherit all original Klaytn and Finschia Web3 infrastructure including messenger-based services, acquiring a potential wallet user base of 250M+ in Asia.
- Over 460 DApps, partners, and governance, along with more than 34M wallet users and the Web3 community, will also be merged. Assets across key categories like De-fi, RWA, Gaming, Payment, etc., will be consolidated. The merging of the ecosystem will be carried out in a phased manner in the most effective and cost-efficient way in terms of token economy, during the process of 1) tokenomics, 2) governance, and 3) network.

# NEW TOKENOMICS – ① Merged Token Swap

## Holders of Klaytn and Finschia tokens will be able to claim the new merged token (PDT *tentative)

### MERGED TOKEN



**PDT**

P R O J E C T

**DRAGON TOKEN**

Establishment of a New Brand
Following Governance Approval

Swap Ratio

| 1 KLAY = **1 PDT** |
|---|
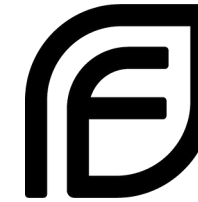
Swap Ratio

| 1 FNSA ≈ **148 PDT** |
|---|

1FNSA = 148.079656 KLAY

- All corporations or individuals holding Klaytn and Finschia tokens before the second quarter of 2024 (the target time for the token merge) will be able to claim the new merged token (PDT *tentative).
- To facilitate value creation and liquidity for the new merged token, 1) the price entry barrier per token will be low, and 2) swaps will be conducted based on the EVM-compatible KLAY.
- The swap rate for the merge token was calculated based on the average exchange rate of each token during the 14 days prior to the proposal submission date.

| Token | Average Market Price (USD) | Exchange Rate | Period | Data Source |
|---|---|---|---|---|
| FNSA | USD 28.8607 | 1FNSA = 148.079656 KLAY | 24.01.02(UTC)~'24.01.15(UTC) | CoinGecko Data |
| KLAY | USD 0.1949 | 1KLAY = 0.006753 FNSA | 24.01.02(UTC)~'24.01.15(UTC) | CoinGecko Data |

- The swap rate applied at the time of claiming the merged token will be reflected up to six decimal places (1 FNSA = 148.079656 PDT).
- 1) Holders on exchanges will undergo a bulk conversion according to each exchange's swap support policy, and 2) individual wallet holders will be able to convert directly through the 'Integrated Token Swap Service (*tentative)' supported by the newly formed foundation.
- The start schedule for the token swap is targeted for the second quarter of 2024, and further details on the schedule and method of the swap will be announced at a later date.

# NEW TOKENOMICS – ② New Issuance Policy

## 23.6% of the total issuance amount will be burned, and the non-circulation amount will be removed

### Existing Issuance Policy

| ① FNSA Circulation | ② KLAY Circulation | ③ KVCF | ④ KCF | ⑤ KFF |
|---|---|---|---|---|
| 1.11 B KLAY (7.52M FNSA) | 3.48 B KLAY | 2 B KLAY | 0.26B KLAY | 0.13B KLAY |
| USD 217M | USD 679M | USD 390M | USD 51M | USD 27M |
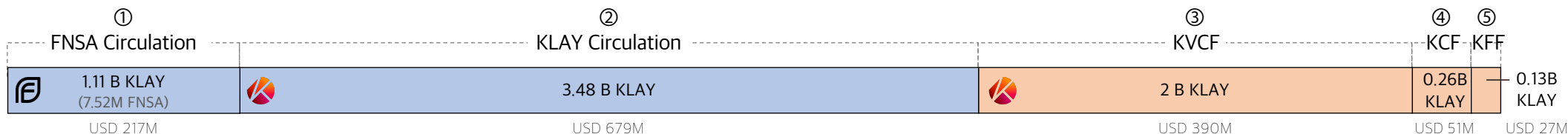
**[Issuance Composition]**    * 2024.01.16 UTC

| | Amount (Based on KLAY) | Ratio (% of Total Issuance) |
|---|---|---|
| Total Issuance(SUM) | 6,994,296,974 | 100% |
| Total Circulation(SUM) | 4,595,240,979 | 65.7% |
| ① FNSA Circulation | 1,112,983,572 | 15.9% |
| ② KLAY Circulation | 3,482,257,407 | 49.8% |
| Non-circulation Amount(SUM) | 2,399,055,995 | 34.3% |
| ③ KVCF (Reserve) | 2,000,000,000 | 28.6% |
| ④ KCF | 260,514,566 | 3.7% |
| ⑤ KFF | 138,541,429 | 2.0% |

**[Existing Policies]**    * 1 FNSA = 148.079656 KLAY

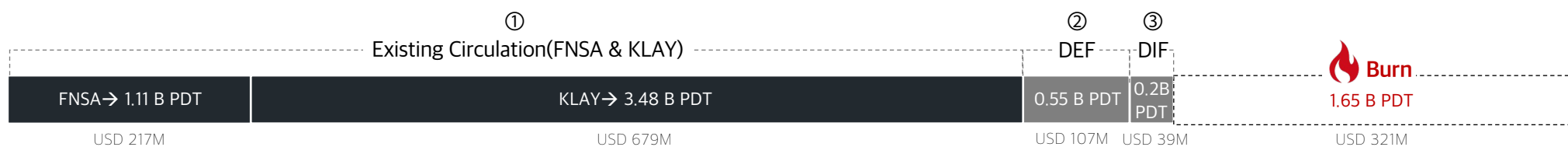- Total Issuance: **6.99B KLAY** (FNSA > KLAY Conversion Rate)
  - Circulation: **4.6B KLAY**
  - Non-circulation(KVCF, KCF, KFF): **2.4B KLAY**
- Non-circulation Amount Proportion to Circulation: **52.21%**
- Due to a significant proportion of reserves and non-circulation volume, there is uncertainty in the tokenomics.

### PDT Issuance Policy

| ① Existing Circulation(FNSA & KLAY) | | ② DEF | ③ DIF | 🔥 Burn |
|---|---|---|---|---|
| FNSA→ 1.11 B PDT | KLAY→ 3.48 B PDT | 0.55 B PDT | 0.2B PDT | 1.65 B PDT |
| USD 217M | USD 679M | USD 107M | USD 39M | USD 321M |

**[Issuance Composition]**    * 2024.01.16 UTC

| | Amount (Based on PDT) | Ratio (% of Total Issuance) |
|---|---|---|
| Total Issuance(SUM) | 5,345,240,979 | 100% |
| Total Circulation(SUM) | 5,345,240,979 | 100% |
| ① Existing Circulation | 4,595,240,979 | 86.0% |
| ② DEF(Ecosystem Fund) | 550,000,000 | 10.3% |
| ③ DIF(Infra Fund) | 200,000,000 | 3.7% |

* This is a forecast of the issuance volume as of January 16, 2024, UTC. Please note that there may be specific variations based on the snapshot taken just prior to the integration.

**[New Policies]**    * 1 FNSA = 148.079656 KLAY, 1KLAY = 1 PDT

- Total Issuance(=Circulation): **5.35B PDT** (23.6% Burned)
  - Ecosystem/Infra Fund(DEF, DIF): **0.75B PDT** (68.7% Reduced)*
- Non-circulation Amount Proportion to Circulation: **0%** (100% Removed)
- By eliminating the non-circulation volume, we aim to achieve a 'total issuance equals circulation volume' model same as ETH and BNB.
- The inclusion of the funds in the circulation does not imply liquidity; these will be operated transparently with approvals from the governance.

* The figures for the Ecosystem/Infrastructure Funds (DEF, DIF) are compared with the existing non-circulating volumes (KVCF, KCF, KFF).

# NEW TOKENOMICS – ② New Issuance Policy

## The reduced funds(DEF,DIF) will be transparently utilized for strong governance and ecosystem

|  | Existing Circulation(FNSA & KLAY) | ① DEF | ② DIF |
|---|---|---|---|
|  | 4.6 B PDT | 0.55 B PDT | 0.2B PDT |
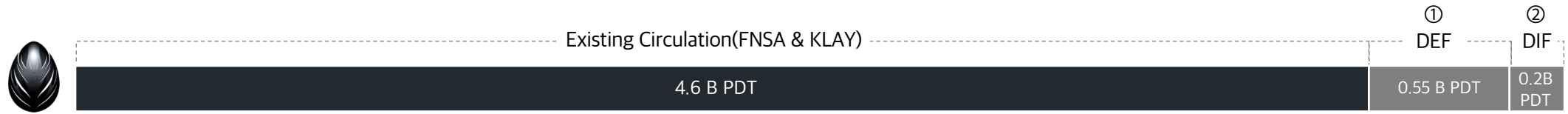
### ① DEF (Dragon Ecosystem Fund *tentative) (550M PDT) - 10.3% of the Circulation

- The DEF (Dragon Ecosystem Fund) is a fund dedicated to building and growing the ecosystem and community of the merged mainnet. The newly merged foundation plans to establish a new fund strategy based on the contribution to token value.
- The execution of DEF funds can only occur with the prior approval of the merged governance, and all execution details will be disclosed based on a new transparency protocol (new disclosure and reporting system).
- Of the total DEF volume, 350 million PDT will be delegated by the integrated foundation to LINE NEXT's initial governance participation wallet, a Web3 corporation under LINE, and will be distributed over five years. LINE NEXT, with this delegated volume, will be able to participate stably in governance from the early stages of the integrated mainnet and contribute to it. The node staking interest earnings from the delegated volume will be returned to the ecosystem.
- LINE NEXT will 1) migrate over 190 existing and planned internal/external Web3 products to the integrated mainnet, and 2) receive the transfer of the delegated volume over five years as compensation for conducting Web3 product business based exclusively on the merged mainnet during the delegation period.

[Expected New Governance Plan Following LINE NEXT's Delegation]

|  | Kakao Affiliates | LINE Affiliates | Netmarble Affiliates | Others |
|---|---|---|---|---|
| PDT Staking (PDT) | 573M | 350M* | 271M | 1.19B |
| Share (%) | 24.0% | 14.7% | 11.4% | 50.0% |

[5-Year Governance Delegation and Transfer Plan]

|  | Y1 (2024) | Y2 (2025) | Y3 (2026) | Y4 (2027) | Y5 (2028) |
|---|---|---|---|---|---|
| Delegation(PDT) | 5-year phased transfer after initial 350M PDT Delegation | | | | |
| Transfer (PDT) | 115M | 115M | 40M | 40M | 40M |

### ② DIF (Dragon Infrastructure Fund *tentative) (200M PDT) - 3.7% of the Circulation

- This fund is designated for the newly merged mainnet, essential infrastructure, operation of the merged foundation, marketing, etc. The infrastructure fund will proceed with budget establishment and fund execution within the merged foundation's board of directors and internal control systems.
- The newly merged foundation plans to establish a new transparency protocol (disclosure and report system) to transparently disclose details related to ecosystem construction and fund usage to the new governance and community.

* User-delegated amounts and existing staked amounts of LINE affiliates are excluded.

# The inflation rate will be reduced, and a new tokenomics model will focus on sustainable value creation

## Initial Inflation Setting

### | Initial Inflation Rate: 5.2%

- The initial inflation rate of PDT will be a consolidation of the existing economic and inflation rates of Klaytn and Finschia. However, it will be downwardly adjusted by applying a discount rate, taking into account any overlap in resource utilization after the merger.

$$\text{Initial Inflation Rate } = \frac{\{A * B\} * C + \{D * E\} * F}{G}$$

- A: Existing circulation of KLAY converted to merged token standard (3.48B)
- B: Existing inflation of KLAY (5.7%)
- C: Inflation discount rate considering overlapping costs (0.8)

- D: Existing circulation of FNSA converted to merged token standard (1.11B)
- E: Existing inflation of FNSA (15%)
- F: Inflation discount rate considering overlapping costs (0.7)
- G: Circulation of merged token (5.35B)

- The new inflation will be distributed in the ecosystem according to the following ratios.

| Inflation Distribution | Ratio |
|---|---|
| ① Validators and Community (Delegation)* | 50% |
| ② DEF (Dragon Ecosystem Fund) | 25% |
| ③ DIF (Dragon Infrastructure Fund) | 25% |

## Construction of a 3-Layer Burning Model

### | 3-Layer Burn Model**

- It is anticipated that the future growth rate of Layer-1 mainnet will be determined by its ability to generate popular network demand and the intensity of its base token burning policy.
- PDT aims to lead the development of a Layer-1 mainnet burning model based on actual demand by creating a new burning model across three layers.

| Burning Layer | Development Direction |
|---|---|
| ① Transaction Burning (Burn thru Transaction Fee) | For the merged mainnet, PDT will be burned based on the gas fee usage and user tips. The goal is to increase the amount burned, leveraging the compatibility with EVM/CosmWasm. |
| ② Validator Burning (Burn thru Maximal Extractable Value) | A model will be developed to burn a portion of the added value generated during the validator verification process. This model is designed to increase the amount burned in proportion to the network's activity. |
| ③ Business Burning (Burn thru Business-Model) | A model will be developed to burn a portion of new revenue generated from additional privileges provided to developers or from funds arising from strategic partnerships. |

* The staking and swap services provided on the integrated mainnet are unregulated and are not provided based on a license from the Foundation.
** The burning model will be finalized subject to future regulatory review and approval by the merged governance.

11

# NEW NETWORK

## Building a new foundational layer 1 network encompassing both EVM and Cosmos compatibility

MERGED
NETWORK

PROJECT

DRAGON

Establishment of a New Brand
Following Governance Approval

**EVM Compatible**

5+ years of Technical Expertise

klaytn

**CosmWasm Compatible**

5+ years of Technical Expertise

Finschia

- Since 2018, Klaytn and Finschia have been developing and operating Layer 1 based on Ethereum technology (EVM) and Cosmos technology (CosmWasm), respectively, which are the leading technological stacks. They possess the highest level of technology and resources in Asia in their respective fields.
- The merged mainnet aims to establish a new network environment that is compatible with both EVM and CosmWasm, based on the technology and assets of both mainnets. This will accelerate the onboarding of new DApps and facilitate the transfer of value by developers and users from the existing EVM and CosmWasm ecosystems to the merged mainnet.
- The network merge will proceed in stages, considering the swift integration of the base token economy and the stable integration of the ecosystem.

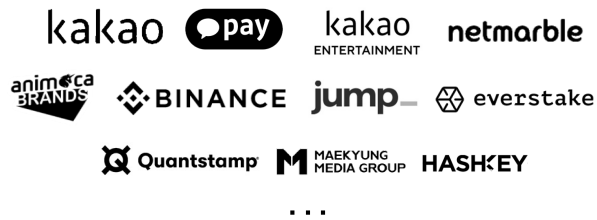| Phase1 - (EVM) Base Token & Governance Integration | Phase2 – (EVM+CosmWasm) Asset & Tech Integration |
|---|---|
| The first phase of the merged network construction will be based on the EVM platform, which has a lower price entry barrier and a higher number of listed exchanges. This phase involves integrating the base token (PDT) and governance. | The integration of technological assets and features based on the Cosmos will be completed to create an merged network environment that is compatible with both EVM and CosmWasm. |

# NEW GOVERNANCE

## The merge aims to establish the largest decentralized Web3 governance structure in Asia

### klaytn Governance

**30+** Global Enterprise*

Including Kakao affiliates

kakao | pay | kakao ENTERTAINMENT | netmarble

animoca BRANDS | BINANCE | jump | everstake

Quantstamp | MAEKYUNG MEDIA GROUP | HASHKEY

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### MERGED GOVERNANCE

PROJECT

# DRAGON

Establishment of a New Brand
Following Governance Approval

### Finschia Governance

**15+** Global Enterprise*

Including LINE affiliates

LINE NEXT | SoftBank | LINE Xenesis

CRESCENDO | CERTIK | GOODGANG LABS | DELIGHT
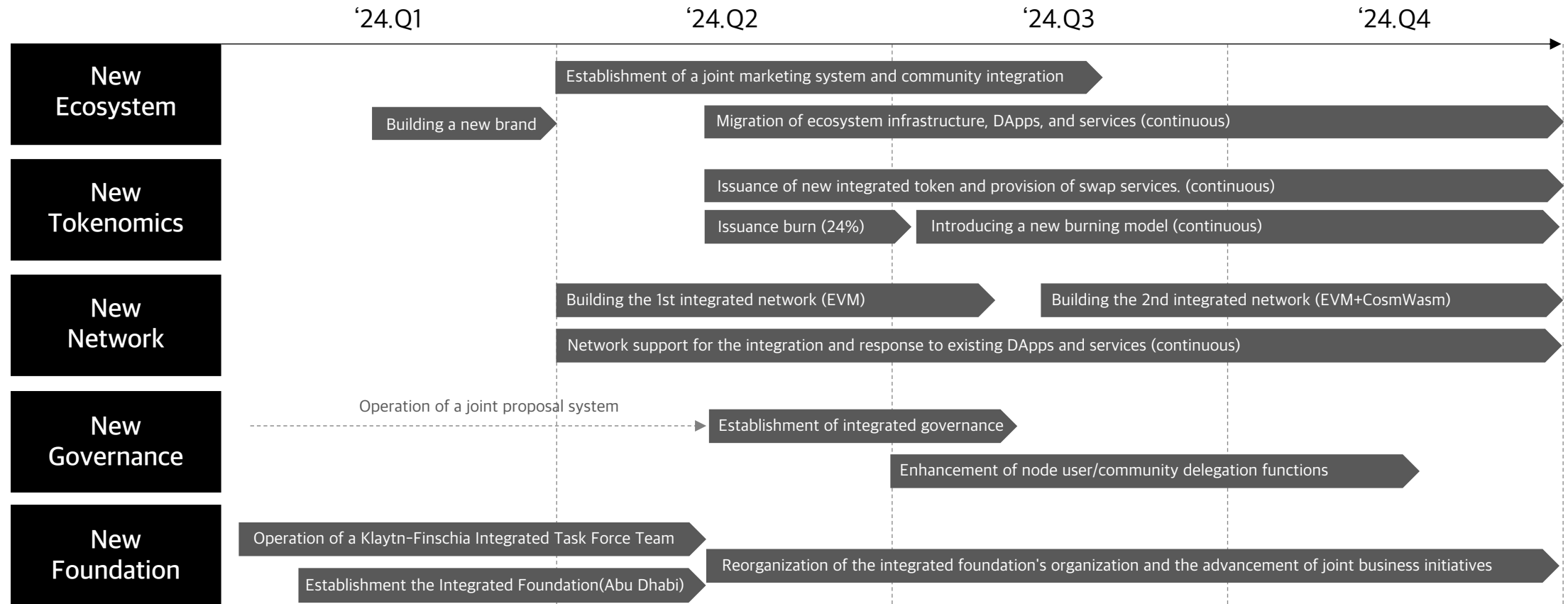
DOSI | BUGHOLE | Presto | A41

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- The Klaytn Governance and Finschia Governance will merge into a single governance system (PoS), creating the largest Web3 governing body* in Asia.
- The new governance structure and governing body will focus on enhancing user and community delegation functions and aims to expand the number of governance participants to up to 100 entities, maximizing decentralization.
- Corporations currently participating in the Klaytn and Finschia governance will have the opportunity to join the new governance. They will receive an allocation of PDT based on their existing Klaytn(KLAY) and FINSCHIA(FNSA) holdings and a fixed swap rate, thereby gaining new voting power proportional to the amount of PDT they hold. If any existing governance participants lack the minimum required amount of PDT for the merged governance due to differences in policies between the two mainnets, the newly established foundation can delegate or lend the shortfall.
- Until the merging of governance, Klaytn and Finschia will continue to operate under their respective governance structures as before. During this transition period, a temporary decision-making system will be in place where major issues affecting the upcoming new mainnet must be approved by the governance of both mainnets.

# ROADMAP

## Aiming to commence the new token swap within the second quarter

| | '24.Q1 | '24.Q2 | '24.Q3 | '24.Q4 |

**New Ecosystem**
- Establishment of a joint marketing system and community integration
- Building a new brand
- Migration of ecosystem infrastructure, DApps, and services (continuous)

**New Tokenomics**
- Issuance of new integrated token and provision of swap services. (continuous)
- Issuance burn (24%)
- Introducing a new burning model (continuous)

**New Network**
- Building the 1st integrated network (EVM)
- Building the 2nd integrated network (EVM+CosmWasm)
- Network support for the integration and response to existing DApps and services (continuous)

**New Governance**
- Operation of a joint proposal system
- Establishment of integrated governance
- Enhancement of node user/community delegation functions

**New Foundation**
- Operation of a Klaytn-Finschia Integrated Task Force Team
- Reorganization of the integrated foundation's organization and the advancement of joint business initiatives
- Establishment the Integrated Foundation(Abu Dhabi)

- Considering the necessity of internal information control and the unique nature of the blockchain public voting approval process, the top strategy was established with a minimal number of personnel from both foundations. After the proposal approval, an official integration task force team will be established to finalize the subcommittee plans and roadmap before announcing them to the community again. Consequently, detailed plans and schedules may change.
- Key business and marketing tasks for the expansion of the integrated mainnet ecosystem of each foundation will proceed in parallel, independent of the integrated roadmap, and without increasing the integration cost.

# BUSINESS INITIATIVES 2024

## New business initiatives for the merged mainnet will be pursued after the approval of the proposal

### Infrastructures for Institutions

- Establishment of a Fiat On/Off Ramp for the integrated token in major Asian countries
- Infrastructure development to enhance accessibility for institutional investors

### Large-Scale DeFi Infrastructure

- Reconstruction of new DeFi infrastructures for the integrated mainnet
- Expansion of products and services linked to RWA (Real-World Assets)

### Launching of Native Stablecoin

- Launching of a native stablecoin to the merged mainnet and base token
- Expansion of services and products based on native stablecoin

### Boosting the Asian Community

- Reconstructing developer/user communities in each Asian country
- Discovering new governance and ecosystem partners by major countries

## PROJECT
# DRAGON

BUSINESS INITIATIVES

2024

### Onboarding AI-based DApps

- Establishing and activating the onboarding of a new AI DApp category
- Discovery of generative AI-based content, avatars, and game DApps

### On-Chain Transition of Web2 Items

- Linking Web2 digital items, memberships, and ticket markets
- Discovering cases for mass tokenization and popularization

### Onboarding Asian Triple-S Game

- Onboarding interoperable games based on Brown Friends IP
- Onboarding Web3 games based on the IP of Japanese SSS grade game companies

### Project with Global IP Companies

- Onboarding of Web3 projects from global large-scale IP companies
- Strengthening the onboarding infrastructure for Web2 companies

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# END OF DOCUMENT

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