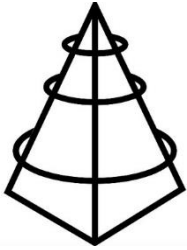


Loopring (LRC)



Another Chinese project on blockchain technology that gained my attention just recently due to bad news – the trading of LRC on the exchange Binance were temporarily halted, due to Chinese plans for regulating ICOs. It was halted by request of LRC, it was not forced onto them directly or forced by Binance and it is **not permanent**, the trading will resume in 2 days at the 13th of September¹.

As I find it quite a good summary of what LTC aims to do, I will quote the abstract from their whitepaper:

*“Loopring is an open, multilateral token exchange protocol, **for decentralized exchange on the Ethereum blockchain**. Loopring is intended to serve as common building block with open standards, **driving interoperability among decentralized applications (DAPPs) that incorporate exchange functionality**. Trades are executed by a system of Ethereum smart contracts that are publicly accessible, free to use, and that any dApp can hook into.”*

Basically, you can think of it as a connecting network between exchanges and wallets to prevent a centralization of currency ownership in case of theft, making it a) some sort of a “barrier” for hackers to repeat something like the MtGox-hack from 2013 or the 2016 hack of Bitfinex and more important b) a decentralized “orderbook-combiner”.

But let’s dig in and look into this in detail, shall we?

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¹ <https://binance.zendesk.com/hc/en-us/articles/115001484652-Binance-Will-Stop-LRC-Trading>

1 Publicity

Loopring is a Chinese company, that changed their location to Shanghai just recently at the 20th of August 2017², right before the Chinese government decided to regulate the market for ICOs in China. As it is a Chinese company, it is sometimes hard to gain access to their newest information, because the language barrier between Chinese and English is quite high and doing research on e.g. persons can be difficult, especially when they are not active in western countries.

The team shares some similarities to the former analyzed team of Waltonchain, albeit it is a bit easier to do research on them, as some names have some history already, which spilled into some public profiles, news etc. The members are visible at their website with name, 3 with face and most of them have a small bio attached to their name (some minor members are only listed with their position like “Architect” – no problem here, the major names are a bit more important)³. Their founder Daniel Wang is also listed as the cofounder of other companies like:

- “Hygiene Online” (no information found)
- “Yunrang Technology” (developed a social microblog platform called “Yun yun”, which was acquired by sina.com back in 2013⁴)
- “Coinport exchange” (a now closed crypto currency exchange platform, which were advertised with “extreme transparency” back in 2014⁵)

Mr. Wang is therefore not a new name in the world of blockchain technology. The fact that he is dealing with the problems the industry is facing in China for some years already now is indeed impressive, as he seems to have not been shaken by obstacles for quite some time⁶. It surely shows dedication and even more: experience, when it comes to deal with the government, which I consider extremely important in China these days.

The team also includes members with a wide range of experience in the world of financial technology, banking and IT. A good balance of skills, which should be the goal of all companies dealing with fintech.

² <https://loopring.org/en/progress.html>

³ <https://loopring.org/en/team.html>

⁴ <https://www.crunchbase.com/organization/yun-yun#/entity>

⁵ <https://www.coindesk.com/new-hong-kong-bitcoin-exchange-offers-customers-extreme-transparency-measures/>

⁶ <https://www.dorsey.com/newsresources/publications/2014/09/bitcoin--haven-in-hong-kong--part-ten>

Their advisory team however is even more prominent – here just 3 major names that caught my attention:

- Da Hongfei (Founder & CEO of NEO, another major Chinese blockchain project that gained major western attention in the past months⁷)
- Alex Tze-Pin Cheng (a big name in Baidu (Chinese equivalent of google)⁸)
- Eric Gu (founder of the first Chinese blockchain project⁹)

And several other big names in the Chinese blockchain community, meaning that they also do quite a good job in networking with other projects within china. And with Alex Cheng, someone with a huge load of experience in marketing is in their team, meaning that we can hope that this respect will get better in the future.

All in all – even though they suffer from the recent regulation and the following instability regarding what will happen next, they are in quite a good position to get their project on the market, as soon as the storm of the Chinese regulatory madness has settled. The team is working full time on the project, it is not just a hobby of an enthusiastic team of developers.

The communication with the western audience is also conducted in English via three channels: slack¹⁰, twitter¹¹ and a subreddit which is managed by volunteers¹² but in active contact with the devs. All three channels are active and react to questions. What is lacking is the interaction on bitcointalk, as there is no active dev on this platform. They use github actively¹³. But as the Chinese government has the habit to censor even on this platform, github is in general not as often used by Chinese projects as it is from western projects – so there is generally a little bit of general doubt to which extend their github is complete and up-to-date.

They also list 10 partners on their website:

⁷ https://www.reddit.com/r/loopring/comments/6yt8t8/email_from_da_hongfei_ceo_of_neo_confirming_his/

⁸ He is „just“ Vice president, which is also used to describe employees in the middle management in some Asian countries. This would mean that his position would be not worth mentioning, as his position would not necessarily bring a wide range of connections or know-how with it. Alex Cheng however is indeed far more prominent, as he is was also an employee of google before they pulled out of china and is today the general manager of Baidu US, which means his position is indeed quite high in Baidu.

<https://www.vbprofiles.com/people/alex-tze-pin-cheng-5911ef6678e002593fbd4e65#careers>

⁹ <https://www.forbes.com/sites/sarahsu/2017/07/25/this-chinese-company-is-trying-to-build-the-worlds-leading-blockchain-platform/#5ff969817735>

¹⁰ Invite is possible via <https://loopring.org/en/progress.html>

¹¹ Confirmed active & managed by the devs in shanghai <https://twitter.com/loopringorg>

¹² <https://www.reddit.com/r/loopring/>

¹³ <https://github.com/loopring>

- QTUM Foundation (another major blockchain project, ~750 million market cap.)
- NEO Council (biggest Chinese Blockchain project so far, ~1 billion market cap.)
- Tokencapital (Chinese ICOs platform)
- ICO365 (Chinese ICO platform)
- ICO RACE (Chinese ICO platform)
- Fintech Blockchain Group – FBG (a Chinese Bitcoin Hedge Fund who is also investing heavily into ICOs¹⁴)
- Chainfunder (another Investor)
- Jingtian & Gongcheng (Chinese law firm – in Shanghai, there are 5 partners available from this firm for immediate counseling regarding the ICO regulations)
- Coindesk (News website on Blockchaintech and crypto currencies)
- SequoiaDB (Chinese Big Data software & service provider, has nothing to do with the Sequoia investment company in the US)

Out of these 10 partners, two are other blockchain projects (NEO & QTUM), which is positive for networking and support.

3 partners are platforms for issuing ICOs (). It is indeed especially good for Loopring to have connections to them, as this would also mean that they can have early contacts to new projects who issue new ICOs and work on problems with compatibility etc. way before these currencies are even traded.

What troubles me a bit however is the listing of 2 investors. While having investors as partners is good to ensure liquidity and a profit oriented workflow, they still focus mostly on profits, meaning that if their influence get too heavily on profit, the tech may be rushed into completion without regard for quality, which could hurt the in the long run.

One of their partners is a law firm. To be honest, I am not so sure about this – on the one hand, it is very positive to have a close partner who can deal with the legal stuff, especially when a significant legal change occurred like the regulation of ICOs in China. On the other hand, legal counseling is normal for a company.

Coindesk however is also not a partner I see much profit from also. They are a website, for news on crypto currencies, focusing on information of the industry. They are among the first websites I open when I go online, but they “only” consist of about 8 tech-

¹⁴ <https://www.cryptocoinsnews.com/bankers-cash-in-on-ico-craze/>

journalists in New York¹⁵. I see a positive effect regarding their marketing, but this is nothing major in respect of the tech.

SequoiaDB is a tech-company focusing on databases. Always good to have them on your side, after all the blockchain is a database. Other than that, it is hard to grasp the benefits of having them in the boat, as we don't know about the nature of their partnership. Could be a big partner, could be a minor partnership.

While Waltonchain suffers from the “hard to research” – nature of most of their partners, Loopring is not so doing well in respect of operational usability of theirs. But the transparency in respect of their team looks better as well as their networking. A big plus for now is the law firm, as they must deal with the Chinese regulations.

Publicity - Grade: **6/10** (5 for an overall good publicity with some relevant question marks regarding how some partners will benefit them; +0.5 as good publicity is not so often seen from Chinese teams to do this for western investors; +0.5 for the prominent advisors)

¹⁵ <https://www.coindesk.com/about-us/>

2 Activity

They are doing well, albeit they seem to avoid being present on bitcointalk. The Slack is civilized, active and responsive¹⁶. Same goes for the twitter account, even though they should really get someone with a better understanding of the English language onto the account, when it comes to releasing information¹⁷.



The general attitude of the people discussing the coin on the usual discussion platforms is a bit calmer, there is not much of the exaggerated optimism/shilling you see from coins with exaggerated expectation before a pump or the exaggerated FUD which usually commences after such a pump.

After the requested suspending of LRC on Binance, the currency lost its biggest exchange until at least until the 13th of September¹⁸. Until then, it is still traded at 3 other exchanges right now:

- BTER (~20 million USD volume overall, ~1.2 million USD in LRC)
- BTC9 (~10 million USD volume, ~500,000 USD in LRC)
- Etherdelta (~3 million USD volume, <20,000 USD in LRC)

Price development is actually quite positive even with the shaking news of the Chinese regulations for ICOs. Since the 6th of September, the price is comparatively stable with a small peak in between at 1400 satoshi tops. It is traded at ~1000 satoshi per coin right now with a circulation of about 697,538,027 coins and a total supply of 1,395,076,054 coins. The ATH right now is about 2200 satoshi and was observed at

¹⁶ Status: 09.10.2017

¹⁷ <https://twitter.com/loopringorg/status/906424894035918848>

¹⁸ <https://loopring-team.slack.com/archives/C60UCUECV/p1504940163000035>

the 3th of September around 8:30 AM. Even at the 3 platforms it is still traded, the volume is very low in absolute as well as relative terms¹⁹.

Activity - grade: **5.5/10** (5.0 as the devs are quite active and communicative but are not understandable sometimes; +0.5 as the price is holding up quite well on the remaining exchanges, even as it is suspended on the biggest one)



¹⁹ While the „position“ of a coin being traded on a platform is not so much relevant, it shows that the users of the platform are not interested in buying it, when they are offered other coins. It is basically an (albeit small) indicator, how much trust or expectations the coin has among the users of said exchange in relation to other crypto currencies. Especially the established ones like BTC, ETH etc.

3 Technology

Let's get to the problem, Loopring wants to solve. For this, we need to go a bit in the past.

One problem springs up automatically, when we consider the market for cryptocurrency exchanges. Imagine you own 100 Ethereum on a small exchange, where the volume is only about 5 Ethereum per day and the whole orderbook is only 100 Ethereum overall. Liquidating your stock would take about 20 days or cause significant losses, as the buyorders are spread out over several prices lower than the current one. What is the consequence of such an action was observable on GDAX back in June – the price of Ethereum dropped into abyss, causing many individuals with stop-loss orders to sell their ETH for literal cents²⁰. It was because this exact case: someone liquidated around 30 million USD worth of ETH on this platform, causing it to trigger stop-losses and margin orders, leaving many people with heavy losses. While GDAX compensated them with corporate funds, an order of about 30 million should not crash the price to practically worthlessness on a currency that has over 20 times this daily turnover. This not only hurts the coin but also the reputation of the exchange and cryptocurrency as whole, which makes it seem unpredictable (which it is) and highly dangerous to invest into (what it is but does not need to be this way).

However, Loopring wants to solve this problem via connecting the crypto currency exchanges via blockchain technology, so the orders will not be limited to only one exchange. Basically, if there is no buy order on Bittrex to sell into at a given price, Loopring would spring into the gap and “transfer” the order to GDAX (or another exchange) and fill it there. Regardless of what you do, you will always get the best price, as all orderbooks of the currency you trade, from every exchange who is using this technology would be merged into one single orderbook. This would level the prices among all the exchanges and make the markets overall more robust against large movements of capital.

This technology is major and a good reason to take an eye on it – if another major capital movement like the one in June on GDAX happen to become something like a regular event, the exchanges need to act. And this would be either to limit the maximum order quantity (e.g. “you are not allowed to sell more than 500 ETH per day” or something along this line) or implement such a technology Loopring wants to develop.

²⁰ <https://www.cnn.com/2017/06/22/ethereum-price-crash-10-cents-gdax-exchange-after-multimillion-dollar-trade.html>

The need for it is already there and gets more urgent day by day as the blockchain industry grows day by day.

HOWEVER, there is one single point that I need to mention here: there are already two competitors. The project 0z (ZRX) is on the same trail and wants to establish an inter-exchange protocol to achieve the same goal, as well as Blocknet. I so far have not analyzed both to decide which project would be more likely to be established, but as far as I am informed, Blocknet formed up some kind of testing phase already. But I also think that the industry is still young and that it is completely impossible to decide which of these ambitious projects will be more established than the other. Think of the battle between Betamax and VHS in the 80ies – Betamax was objectively the better platform, but VHS was the winner of this fight. It is completely possible, that we end up with two (or even more) established systems beside each other.

Another big point would be that you do not need to transfer your funds to the exchanges anymore, but only need to grant the service access to your wallet. This is indeed a good feature, as it makes it nearly impossible to hack. A hacker would not have to hack an exchange like MtGox or Bitfinex but the single PCs of the traders. It is like robbing the hacker their big fat cow they chase in form of the exchanges nowadays, making dealing in cryptos way, way safer.

And finally, this tech would not only combine the order books from every exchange, it would basically decentralize the exchanges, meaning that it would be ~~hard~~ impossible to take it off the internet. Yeah, that is also nice.

Technology - Grade: **4.5/10** (5 as the goal is ambitious and there is a growing need for it; -0.5 but there are competitors already in the market – and already more advanced with the technology)

4 History

There is a roadmap available on their website²¹ as well as a translated whitepaper which you can download from their front-page²². The regulation might have hampered the development a bit for now, other than that I am not aware of significant difficulties in the past, other than an unhealthy, but nowadays somewhat normal pump after the token started trading.

As Loopring had suspended trading their currency from Binance, it can be expected that they are aware of the legal status of LRC in China as for now and act accordingly.

The daily traded volume took quite a blow after trading got suspended on Binance, throwing the volume back to an all-time low of about 1.6 million USD after reporting highs of about 10 million and 7.5 million just days before as well as driving down the price from about 1800 satoshi to levels of about 1000²³. However, this price still holds up, even with the uncertainty of Chinas regulations and the fact that it is not tradeable on Binance – however the currency is not locked, everyone could just resume trading on the other two exchanges, as the currency can still be transferred. Investors seem to refuse to sell below 1000 satoshi and wait for LRC to resume trading in 2 days on Binance.

I would expect a positive trend after this day, but not a sudden rush for the currency. For this, other currencies (like the recently analyzed WTC) receive way more attention, at least in the western crypto world, driving the expectations higher than they are with LRC.

History - grade: **6/10** (6 as the cautious handling with the regulation is quite good and there are no major deviations from the general roadmap so far as well as a comparatively low drop in price)

²¹ <https://loopring.org/en/progress.html>

²² https://github.com/Loopring/whitepaper/raw/master/en_whitepaper.pdf

²³ <https://coinmarketcap.com/assets/loopring/historical-data/> Status: 10.09.2017

5 Future

This point is not as unclear as it may seem, even though nobody knows the extent of the regulations in China until they agree on them. The suspended trading on Binance will be resumed on the 13th of September. The coins that were given back to them will be divided into two equal stacks: 50% will be burned, 50% will be used for “the long-term incentive plan”²⁴. This plan has most likely something to do with the already listed incentive plan to hold LRC for a longer time and receiving additional LRC for it – I would most likely assume that this has something to do with this²⁵.

The future coin circulation will follow a certain plan. Right now, we have 697,538,027 coins in circulation and a maximum amount of coins double this amount of 1,395,076,054 (not deducting the coins they will burn after the voluntarily refund after the Chinese ICO regulations, as they are not currently known). However, according to their long-term incentive plan (additional 5% for holding 18 months onto them, even more % for holding them longer with a maximum of about 17% after 24 months)²⁶. They expect 100,000,000 will be invested for more LRC to gain for long term investors, taking them out of circulation for at least a couple of months, leaving us in theory with 597,538,027 coins. It is fully possible that the full amount will be retrieved way earlier than the 18 months. As it is with everything in the real world, the truth will be something in between, making it somewhat impossible to tell to which extend the additional circulation later on will drive down the price.

The remaining 697,538,027 coins (not counting the coins from the incentive program, as these would amount only to ~17,000,000 at maximum so far, as they expect only 100,000,000 coins in it) not issued at the ICO are not currently in circulation. However, they will be divided in four equal stacks of 25% each (174,384,206.8) and will be distributed within the next 4 years. Depending on how these coins will be distributed and who will be eligible, this will drive the price down to a smaller or larger extend, it is not predictable for now.

Future - Note: **4.5/10** (5 as the plans are known; -0.5 as the future coin distribution is not as clear as it could be – and I doubt, that so many investors will participate in their long-term incentive program (as it is quite an effort to set up and the interest rate might be too low for holding onto them for at least 18 months))

²⁴ <https://binance.zendesk.com/hc/en-us/articles/115001484652-Binance-Will-Suspend-LRC-Trading>

²⁵ <http://incentives.loopring.org/longterm-incentive-program-en.html>

²⁶ Ibid.

6 Grades:

Publicity - Grade: **6/10** (5 for an overall good publicity with some relevant question marks regarding how some partners will benefit them; +0.5 as good publicity is not so often seen from Chinese teams to do this for western investors; +0.5 for the prominent advisors)

Activity - grade: **5.5/10** (5.0 as the devs are quite active and communicative but are not understandable sometimes; +0.5 as the price is holding up quite well on the remaining exchanges, even as it is suspended on the biggest one)

Technology - Grade: **4.5/10** (5 as the goal is ambitious and there is a growing need for it; -0.5 but there are competitors already in the market – and already more advanced with the technology)

History - grade: **6/10** (6 as the cautious handling with the regulation is quite good and there are no major deviations from the general roadmap so far)

Future - Note: **4.5/10** (5 as the plans are known; -0.5 as the future coin distribution is not as clear as it could be – and I doubt, that so many investors will participate in their long-term incentive program (as it is quite an effort to set up and the interest rate might be too low for holding onto them for at least 18 months))

Overall score: **5.3 / 10**

7 Conclusion:

We are looking at a coin with 30 million USD market capitalization right now. Their technology aims at a market with about 4 billion USD volume per day with 2 other competitors of which one (Blocknet) has entered a more advanced development status. The future need of the tech is unavoidable, as long as the industry is still growing.

If they get their product out and established, 30 million is clearly below their value. But as the project is still in development and the competitors are not established as a standard so far, it is more likely that it will reach about the same levels as 0x (120 million) or Blocknet (80 million) within the next couple of months, as soon as they get listed on bigger exchanges. But only if they get their marketing on track and are able to gain attention of the crypto community. After that, the yearly coin distribution of about 175 million new coins will most likely have a negative influence on its per-coin value – the extend however is not possible to grasp.

The risk of investing into Loopring is still high, as nobody knows what exactly will happen with currencies, that had a ICO in China in the past. On the other hand, they had voluntarily asked to be delisted on Binance to initiate voluntary refund period, and act calm & rational and plan to stay on the market for longer.

Btw: Loopring wants to stay longer. Which is also the aim of the [sex toy](#) also called “Loopring” you can buy on amazon 😊 (disclaimer: referral link). Stuff you come by, when you research something for crypto currencies.

Sex toys and bad jokes.

If you like my analysis & want to give something back – maybe drop me a tip, so I can drink a beer on your behalf:

BTC: 12dTyxchdGhYjGBi1QFVPWbagQrRSJssWT

ETH: 0x3D8e6B27F7ab389888791ABEe6FA62F4718A1164

LTC: LT6qfsrxPhVxcYPbNgT267W1aVRd6n5AFq

Also, if you have suggestions what to analyze next - feel free to propose something.

Scale explanation:

0-1: Obvious obstacles that are hard to overcome (no more developers, goal is now illegal etc.). If only one aspect of this classification exists, an investment is strongly discouraged, even if there is a very good rating in other areas.

2-3: The currency has very strong deficiencies in this area, which puts the final development of a working product in high danger.

4-5: There are shortcomings in this area, which the Devs have to work on if they do not want to lose investor confidence.

6-7: There are points of criticism worth mentioning – neglecting these points will most likely have a negative impact on performance.

8-9: Extraordinary - Criticism is only marginally and will not have a significant impact on performance

10: The currency has no real shortcomings in this aspect.

I would not advise to invest into anything below an overall rating below 4.