VF BLOCKCHAIN

# Our Coin-Check Framework

## A 15-Point System to Evaluate Any Crypto Project

With our 15-point COIN-CHECK, you can quickly gain an overview of the most important indicators and characteristics of a cryptocurrency. The COIN-CHECK is designed to assist you in investment decisions and provide you with an initial impression of a blockchain project. Various criteria and features of a coin are taken into account, which subsequently contribute to the overall evaluation.

## 1. Unique Selling Proposition and 2. Growth Opportunities:

The first two criteria are of significant importance. It assesses whether a coin has a unique selling proposition and how far the project differentiates itself from other blockchain projects. Investors should be aware that there are thousands of different cryptocurrencies. Many of them resemble each other in terms of structure and setup, so the technical differences are often not particularly significant. Consequently, many new crypto projects face challenges as they often offer little additional value compared to already established projects (such as Bitcoin, Ethereum, Ripple, etc.). Additionally, the growth prospects of a coin project are crucial. Is the blockchain project limited to a specific industry sector (automotive industry, Internet of Things, etc.), or can cross-industry problems be solved using blockchain and its associated cryptocurrency? These questions are intended to be answered with the COIN-CHECK.

## 3. Inflation and 4. Active Addresses:

An important aspect of a cryptocurrency is inflation, referring to how many coins are still being issued annually. For many coins, inflation steadily decreases (for example, Ethereum), while for others, the total number of issued coins is limited (for example, Bitcoin). You can find this information in the White Paper (if available) or on Coinmarketcap.com. For wealth preservation, a low inflation rate (1-2%) is preferable, while a higher inflation rate generally provides the coin with more liquidity, making such coins often better suited for use as a medium of exchange.

The number of active addresses provides an initial indication of whether the cryptocurrency is actively being used. A high number of active addresses signals that there is already a broad user base for this coin. Information on the number of active addresses (over the last 24 hours) can be found on Bitinfocharts.com.

## 5. to 6. Number and Value of Transactions, Acceptance Points:

A high number of transactions can also indicate that the coin is actually being used as a medium of exchange. For example, Bitcoin is already recognized as an official means of payment in multiple countries, and more and more businesses accept Bitcoin as a form of payment. If the coin is supported by leading crypto card providers, this can also be positive, as it allows the coin to be used anywhere where Visa (over 35 million acceptance points worldwide) or other debit cards are accepted.

## 7. Trading Volume:

If the coin is listed on one of the leading cryptocurrency exchanges (Binance, Coinbase, etc.), this can also be considered a quality feature, especially since it is usually ensured that trading in the respective cryptocurrency is also liquid. This means that you can sell the cryptocurrency at a fair price at any time. In general, the lower the trading volume, the more susceptible the coin is to price manipulation and fluctuations. Rising trading volume for a coin indicates a keen interest from investors. Similarly to stocks, an increase in demand for a coin can have a positive effect on its price development.

## 8. Chart Technical Development:

A look at the chart technical development gives you an impression of whether the coin is currently in a downward or upward trend. Trends tend to continue over a longer period, so a positive chart technical development can indeed be an indication of relative strength of the coin compared to the overall market. You can find information about the chart both on Coinmarketcap.com (Charts section) and on TradingView.com.

## 9. Transaction Costs:

The average transaction costs are also noteworthy. If transaction costs are too high, this can lead to both users and businesses turning away from this cryptocurrency, thereby reducing the attractiveness of the coin as an investment object. Information about the current average transaction costs of a coin can be found on Bitinfocharts.com.

## 10. Scalability of the Blockchain:

The question arises here: how scalable is the blockchain in the first place? It particularly concerns how many transactions per second the blockchain can handle. If only a few transactions per second can be processed, this hinders mass adoption. However, often in the future, software updates or other solutions (Second Layer) are planned to increase transaction speed.

## 11. Anonymity and Fungibility:

The question arises here as to the extent to which transactions with the respective cryptocurrency protect the user's privacy. Fungibility also plays an important role, i.e., how interchangeable the respective coin is. Some projects such as Monero, ZCash, Dash, and Verge see themselves as so-called privacy coins and are dedicated to protecting privacy.

## 12. Technology and Team:

When investing in blockchain projects, you are not only investing in technology but also in people. Specifically, it concerns the team behind the blockchain project. An experienced and competent team is not a guarantee of success for the project, but it can reduce your investment risk if you rely on an experienced team that can deliver and implement the promised goals (Roadmap). Projects that already run on their own blockchain and do not need to be developed or are based on another blockchain (e.g., Ethereum) have advantages. For investors, it is also helpful to know if the code has already undergone an independent security audit, so that errors in the smart contract, etc., can be excluded. It is also important for investors to know how consensus is reached on the respective blockchain (Proof of Work, Proof of Stake, etc.) and what computational Return on Investment (ROI) can be derived from it.

## 13. Completeness of Documents (White Paper, Roadmap, etc.):

You will usually find the White Paper on the corresponding website of the blockchain project. If there is no detailed White Paper that explains the token model (coin) and the problemsolving approach in simple terms, steer clear of this project. Also, the White Paper should outline a clear roadmap for when specific goals will be achieved. Professional projects provide not only the classic White Paper but also further technical documentation that precisely describes the functioning of the blockchain project.

## 14. and 15. Active Community and Programmers:

Last but not least, investors should take a look at the developer platform Github.com. Many open-source blockchain projects are listed here, and you can also see how many developers are actively working on the project and when the last update was made. If no updates (commits) have been seen on Github for some time, there is a possibility that work on the blockchain project has been discontinued, which is, of course, a negative sign. On the community platform Reddit.com, you can also get a first impression of how active the community behind the coin project really is. An active community is often a sign that interest in the coin project remains high.

## Evaluation Approaches for Cryptocurrencies and Blockchains:

While stocks can be relatively easily evaluated, for example, through the Price-Earnings Ratio (P/E ratio), there are no balance sheet indicators for cryptocurrencies and blockchains. Instead, alternative valuation models such as Metcalfe's Law or Network Value to Transactions (NVT) are utilized. These valuation models relate the number of users in the network (Metcalfe's Law) or the number of daily transactions. These metrics allow for a comparison of different blockchain projects. Similar to a high P/E ratio, high values indicate that the blockchain project is already ambitiously valued or possibly overvalued.