

ICOrating

STOPTHEFAKES Rating Review (<https://stopthefakes.io>)

ICO dates (21.03.2018 - 21.04.2018)



I C O R A T I N G

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1. Rating	3
2. General Information about the Project and ICO	4
3. Description of the Services and Scope of the Project	6
4. Market Review	7
4.1. Market Analysis	7
4.2. Competitors	8
5. Team and Stakeholders	10
6. Token Analysis	12
7. Analysis of Factors Affecting the Future Value of the Token	15
8. Investment Risk Analysis	16

1. Rating

We assign StopTheFakes a “Positive” rating.

The StopTheFakes project plans to occupy a niche in the market for anti-counterfeiting and combatting of the abuse of IP rights. Trends in this market will contribute to growth of the platform's popularity, creating a favorable environment for future development of the project.

Among positive factors we note that StopTheFakes offers a solution in which all participants from manufacturer to end user are motivated to identify rights violations. The project lacks any direct competitors and the solution differs advantageously from any similar projects in this area by the competitive costs of its services.

We note that the documentation of the project has been thoroughly prepared.

In view of high volatility in the crypto market, the project has a risk of change in its service cost for the end user. The founders have developed a mechanism for setting boundary prices to reduce this risk; a reserve fund will be created for the same purpose.

Having analyzed the StopTheFakes project we did not identify any additional risks that could have a significant negative impact on the future development of the project.

2. General Information about the Project and ICO

StopTheFakes is a decentralized platform for detecting and eliminating violations of intellectual property rights, as well as identifying manufacturers and distributors of counterfeit products anywhere in the world.

Service is designed to solve the following market problems:

- Providing consumers and owners with a reliable communication system.
- Protecting consumers against counterfeit goods.
- Offering owners an opportunity to reward consumers.
- Creation of a system that completely excludes the possibility of fraud.

Operations will be implemented by a company registered in the Czech Republic - L.F.SIBO, s.r.o.; their identification number according to the register is 264 53 371.

[Website](#)

[Whitepaper](#)

Smart contract platform: Ethereum blockchain

Contract type: ERC-20

Token: STF

Token price: 1 ETH = 2400 STF

Accepted currencies: ETH, BTC

Minimum purchase amount: 0.1ETH or 0.01 BTC

Size of emission: 29,000,000 STF

Pre-Sale:

Start: January 21, 2017 (9:00 AM EST Time)

End: February 21, 2017 (9:00 AM EST Time)

Hard cap = 1,305,000 STF

Bonus:

- 1-2 day - 40%.
- 3-10 day - 30%.
- 11-30 day - 25%.

The hard cap has been achieved during the Pre-Sale.

ICO:

ICO start: March 21, 2018 (9:00 AM EST Time)

ICO end: April 21, 2018 (9:00 AM EST Time)

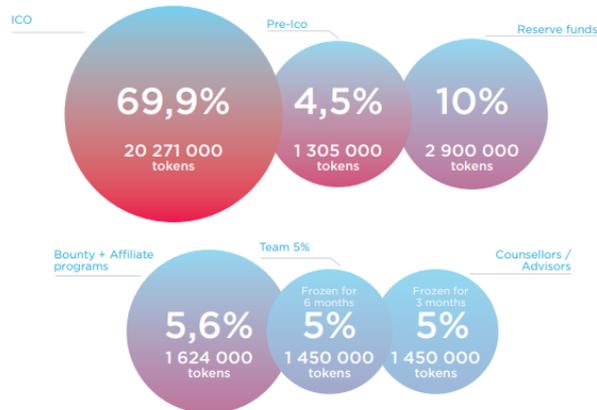
Hard cap: 20,271,000 STF

Bonus:

- 1 day - 15%.
- 2-10 day - 10%.

- 11-20 day - 5%.
- 21-31 day – 0%.

Distribution of tokens is as follows:



The allocation of funds raised during the pre-sale and the token sale is shown below:



Additional token emission is not provided.

Tokens unallocated during the pre-sale and token sale will be burned.

According to information received from the founders, a company in Belize was established to conduct the token sale: StopTheFakes Ltd, No. 169443.

3. Description of the Services and Scope of the Project

StopTheFakes.io is a decentralized service which detects violations of the intellectual property rights of manufacturers, brand owners, copyright owners of films, music and patents for inventions.

The service will be deployed as follows:

- In a mobile application that enables users to create evidence in the form of a photo and/or video with fixing of a date, time and geodata.
- In an extension for web browsers which will be able to create evidence in the form of a screenshot with fixation of date, time and address of the website opened by the operator.

Alpha versions of the web service¹ and the mobile application for Android² are available at the time of writing.

The service and interaction of platform participants will be organized as follows:

- The applicant (legal owner) applies for searching for rights violations.
- A performer sends signals to applicants' applications.
- Moderators check signals received and send them to applicants. After this, a signal acquires one of three statuses according to the applicant's decision:
 - The signal is accepted - in this case alone, remuneration is paid to the performer (person detecting the violation).
 - The signal is on verification.
 - The signal is canceled, with indications of reasons for canceling.
- The applicant eliminates the offense on their own or through the StopTheFakes claim service which creates the claim in accordance with the law of the country in which the violation was discovered.

The platform will implement a rating system for performers. Performers will gain or lose points for certain actions. Performers' remunerations in tokens depend on the number of points, motivating the performer to submit qualitative signals pertaining to violations.

According to the roadmap, service providers are planning to implement additional functionality by June 2019 – that of Big Data analysis. This functionality will enable systematizing and analyzing all information arriving on the platform.

Thus, the blockchain-based StopTheFakes service will speed up all processes related to the detection of counterfeit products and the elimination of violations of intellectual property rights. The platform will have every chance to create and satisfy demand among applicants (owners) and performers, if the functionality is fully implemented.

¹ <http://web.stopthefakes.co/>

² <https://www.stopthefakes.io/#webandapp>

4. Market Review

4.1. Market Analysis

According to a "Global Brand Counterfeiting Report"³ by BusinessWire, the turnover for counterfeit goods was \$1.2 trillion in 2017. Estimated losses associated with fake clothing, textiles, shoes, cosmetics, bags and watches amounted to \$98 billion which includes both offline and online counterfeiting.

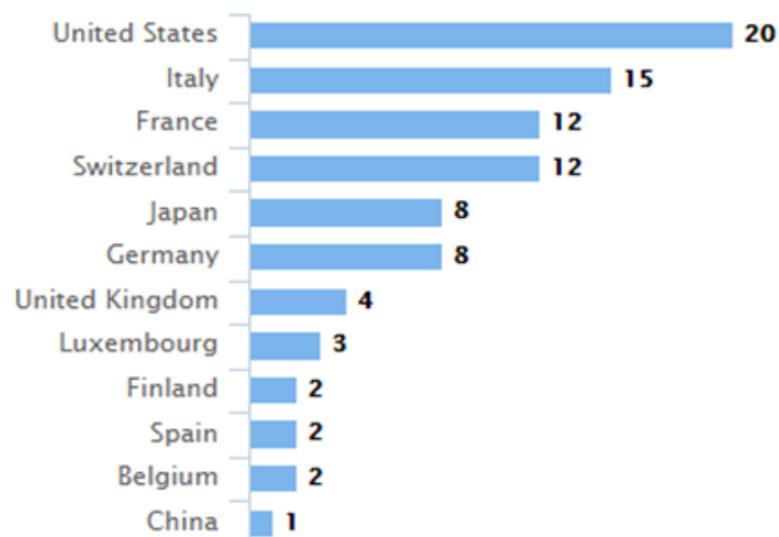
Counterfeiting threatens the well-being of consumers and also damages the reputation of enterprises. The turnover of counterfeit products leads to large losses for brand owners. In particular, this applies to luxury brands.

Growth in world trade and technology has had a positive impact on many markets but along with this, company owners have to spend more time and money to protect their brands and trademarks. However, despite growth in measures aimed at fighting counterfeiting, this market is also continuing to expand at a high rate.

According to a report by OECD⁴, counterfeit turnover amounted to almost \$0.5 trillion per year between 2013 and 2017, or about 2.5% of global import turnover. The growth in turnover of counterfeit products was 260% and exceeded \$650 billion over 4 years⁵.

American, Italian and French brands are the most commonly counterfeited.

Below is a diagram of the distribution of losses from the violation of intellectual property rights (in percentages by country):



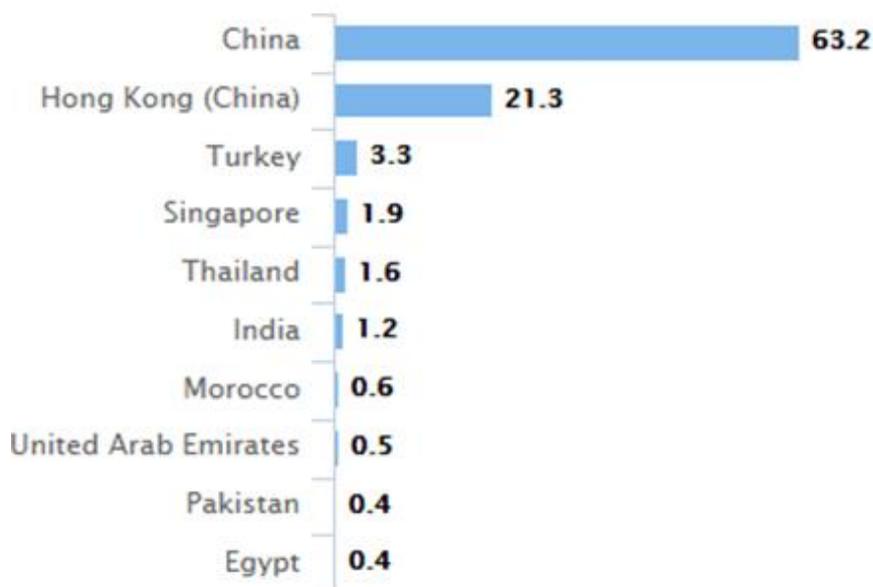
³ <https://www.businesswire.com/portal/site/home/>

⁴ <http://www.oecd.org/>

⁵ <https://www.havocscope.com/category/counterfeit-goods/>

Up to 5% of goods imported into the European Union are fake. Most of them are produced in middle-income countries or in developing countries; China is a leading producer of counterfeit products.

The diagram below shows distribution of the origin of counterfeit products by country, in percentage of total counterfeit volume.



The counterfeit market is increasing in size year on year, linked of course with the demand for popular goods by famous and well-known brands and, accordingly, with the growth of global import turnover.

The World Trade Organization⁶ predicts an increase in world trade in 2017 and 2018 after a "sluggish" 2016, but warns that the uncertainty associated with policies of protectionism and anti-globalization carries risks for this forecast.

The volume of world trade in 2017 will increase by 2.4%. In 2018, according to the Organization's forecasts, growth rates in global trade volumes could range between 2.1% and 4%.

Thus the growth of world trade will directly affect growth in the turnover of counterfeit products. All of the above creates favorable conditions for the launch of StopTheFakes' project and increases chances for the development of a successful business.

4.2. Competitors

The market already has blockchain players in anti-counterfeiting:

Veredictum⁷ is a system that uses blockchain to register ownership of video and movies, and adds computer-readable watermarks for tracking any digital theft on the

⁶ <https://www.wto.org/>

internet. During the ICO, the project did not achieve its soft cap; the amount of funds collected was only 21 ETH.

FarmaTrust⁸ is a specially developed application that will enable users to monitor the movement of a genuine medicine. Anyone can ensure that it is not a fake. To do this, the company collaborates with companies that supply medicine. If a counterfeit is detected, a signal is automatically sent to the police. Therefore, supply of goods from manufacturer to patient will be as transparent as possible. During its ICO, the project did not achieve its soft cap; the amount of funding collected was \$1.3 million.

LOCI – a system for the registration of inventions. The main purpose of this platform is to search for inventions (patents) for specified parameters. The system provides the most up-to-date and comprehensive information to help to ascertain if patented analogues of an invention already exist.

Currently, LOCIcoin tokens are traded on exchanges; the total capitalization is \$4.3 mln.

The projects presented are narrowly focused. Their activities are aimed at the protection of specific products and intellectual property rights by means of mechanisms for creating property rights, and verification and identification of both owner and consumer; however, StopTheFakes' service does not protect rights, but enables identifying and liquidating any intellectual property rights violations. The project does not have any direct competitors, and its solution differs from similar projects in this area in virtue of the lower cost of services.

⁷ <https://www.veredictum.io/#home>

⁸ <https://www.farmatrust.io/>

5. Team and Stakeholders

The team includes 12 main staff members and 9 advisors. Key positions in the team are as follows:

Mikhail Krzhanovsky ([LinkedIn](#)) Co-Founder, CEO.

Co-author of the project concept, Mikhail has worked with the team since December 2016; he provides general leadership and created the team. 4 years of practice in protection of intellectual property rights, 4 years' work in information security.

Education:

- Saratov State Academy of Law
- Russian Academy of Public Administration

Igor Salikov ([LinkedIn](#)) Co-founder.

Co-author of the project, Igor has worked with the team since 2016. First Managing Director and Executive Director of L.F.SIBO, s.r.o. registered in the Czech Republic. More than 10 years working on the problem of counterfeit cosmetics in EU countries, he has 12 years of experience in the field of photography and video production as well as production of video commercials.

- **Education:**
- University of Economics, Prague
- Czech Technical University, Prague

Aleksey Zhunin ([LinkedIn](#)) Blockchain developer.

5 years' experience in IT development. 3 years' experience in blockchain development. Previously Senior Software Engineer at Sberbank Technology. Lead blockchain developer at HungryDev.

Education:

- State University of Nizhni Novgorod named after N.I. Lobachevsky (UNN).
Applied Mathematics and Informatics

Currently, the project team includes specialists in blockchain development, marketing and business creation. According to the white paper, creation of a team of employees engaging in research activities in blockchain technology will be done on an ongoing basis. Starting from 12-16 months after launch, it is planned to create a division for data analysis using Big Data technology, as well as a separate unit engaged in studying the counterfeit market.

Among the advisory board, we note the following talents:

Reuben Godfrey ([Linkedin](#)) advises the team on the organization of its ICO. Reuben took part in token sales for SONM, Playkey and LAToken. He is co-founder of the Irish Blockchain Association, consultant for SELFLERY and BitRewards.

Elia Planas Gabriel ([Linkedin](#)) advises on blockchain and smart contracts. A lawyer for International Affairs.

Ismael Arribas ([Linkedin](#)) advises the team on interaction with governmental structures of the European Union.

Igor Slabykh ([Linkedin](#)) advises the team on legal issues. He has 15 years of experience in copyright protection; heads the IPR Consulting law firm in the USA.

Evgeny Okhotsky Professor in the Department of Public Administration and Law at Moscow State Institute of International Relations. Advises on issues of international law.

The founders and advisors are participating in various conferences and seminars. Recent events include the RegTech Unconference⁹ and a program on the OTP channel. The legal aspect of the team has not yet been created. According to the white paper, after the launch of the platform a separate department for international law will be created. However, we note the strong composition of the advisory board; there are highly qualified specialists on legal issues. As the project is being built exclusively within the existing legal framework, the team aims at cooperating with law enforcement agencies and legislators, and identifying counterfeits and violations of intellectual property rights using blockchain technology for these purposes. We think that the team has all necessary specialists to perform tasks required at the current stage.

⁹ <https://golos.io/ico/@stopthefakes/komanda-stopthefakes-prinyala-uchastie-v-regtech-unconference>

6. Token Analysis

GitHub hosts the smart contract repository¹⁰.

StopTheFakes.io
Blockchain Service Anti-Counterfeit & Copyright Infringement
Prague, Czech Republic
<http://StopTheFakes.io>

Overview Repositories 1 Stars 0 Followers 1 Following 0

Popular repositories

crowdsale-token
main contract and app
★ 3 🍴 2

2 contributions in the last year

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Mon												
Wed												
Fri							■					

Learn how we count contributions. Less More

Token name – STFCoin

Symbol – STF

Decimals – 18

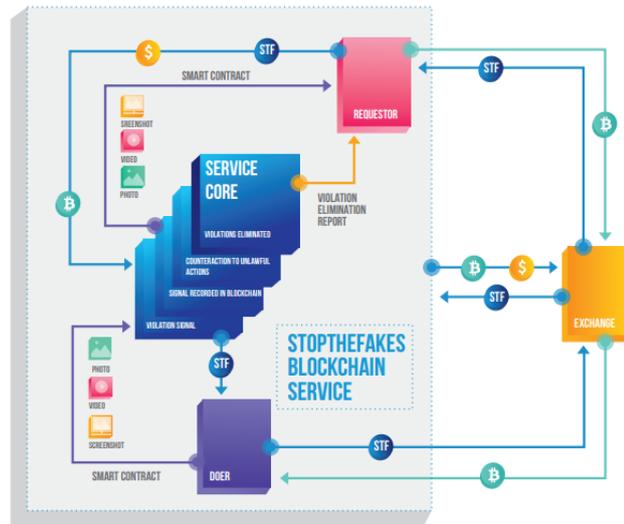
STF is a utility token. Purchase of a token is a purchase of a license for software and data access.

Using STF tokens is the only means for settlements within the platform. The implementation of blockchain technology was carried out under an open source license. According to documentation on the website, the Ethereum blockchain will continue to form the basis of the platform; there are no plans for creating a proprietary blockchain.

STF tokens will be used as a means of payment for performers' and applicants' work. The token will also enable applicants to access Big Data.

In the white paper, the entire token economy is graphically depicted in this diagram:

¹⁰ <https://github.com/StopTheFakes/crowdsale-token>



Monetization of the service will be enabled by charging a fee from the reward paid by applicants.

Pricing on the platform will be as follows:

- In response to a request sent by a performer to an applicant, a boundary price between 15 and 100 STF Coin is set.

An applicant can determine remuneration amounts at his own discretion but only within the price boundaries set. This mechanism is used primarily to ensure that remuneration is more affected by the fixing method and the level of complexity of the application, rather than an applicant's desire for priority in the implementation of applications.

- The service fee is between 15 and 25%, depending on subject of the search and the type of solution carried out.

The service commission and performer's reward are debited from the applicant's account only if he has received the signal.

Tokens can be bought or sold for fiat or cryptocurrency both on the service and exchanges.

According to the founders, negotiations with the largest crypto exchanges regarding listing of the STF token are underway.

The documentation presents estimates of the average rewards for various methods of fixing violations. According to estimates, fixing a violation will be affordable to all rights holders, including small businesses and individual owners of intellectual property. We consider this to be one of the main advantages of this project.

In our opinion, the use of tokens as opposed to fiat has a number of advantages, such as 24/7 settlement, cost reduction, transaction times, absence of legal and geographical barriers and guarantees of payment for a performer.

We think that STF tokens may become in demand in the market for all of the above reasons; its use will help to make it possible to combat counterfeiting worldwide.

7. Analysis of Factors Affecting the Future Value of the Token

Income for the service will be created via commissions. For this reason, profitability for the project will depend on turnover on the platform and user activity. The project expects to attract 850,000 users and identify 40,000 violations by September 2018.

The project plans to create a reserve fund to maintain liquidity at a sufficient level. The reserve fund will be created from 10% of all issued tokens. Funds will be used as follows:

- To attract large applicants by providing them with several signals free of charge.
- To support the balance of tokens within the service.
- On regulation of the STF token rate.

The project is planning to replenish the reserve fund using 14% of the revenue from the service overall. The number of tokens in the reserve fund will be monitored; it will always be in the range between

1,450,000 STF and 4,350,000 STF. The process of replenishment of the fund involves withdrawing tokens from the market, which will lead to an increase in their rate. However, when the token rate is high, the reverse process of moving tokens from the fund to the market is envisaged to lower STF rates. This is done to stabilize the exchange rate and reduce volatility compared to most cryptocurrencies.

Since platform prices are set in tokens, the STF rate will directly affect the cost of services. A fall in rates will reduce the cost of the service and vice versa; an increase in rates will help to increase the token price. However, since prices on the platform are significantly lower than any other anti-counterfeit solutions that exist on the market, this factor can support the token price in the medium term.

During the pre-sale, only 4.5% of the emission was sold (soft cap was achieved); despite large bonuses of between 40% and 25%, this factor will not have a significant impact on price in the short term.

In the long term, token demand may increase at the point of launching new developments and services:

- May 2018 - launching extensions for Google Chrome, Opera.
- June 2018 - launching the iOS application.
- June 2019 - Big Data implementation.

Most factors that will influence the price of the STF token are favorable; the ICO parameters are optimally selected. Interest in the project is confirmed by positive community feedback about the project on social media¹¹ ¹² and a successfully conducted Pre-Sale, where all tokens offered for sale were distributed. Further success for the project will be determined by the quality of the developed product.

¹¹ <https://bitcointalk.org/index.php?topic=2280097.0>

¹² <https://t.me/stopthefakes>

8. Investment Risk Analysis

We note some risks inherent in this project.

In the proposed pricing model, the cost of services for an end user will depend on the exchange rate of ETH. In this connection, ETH exchange rate fluctuations can influence costs for scaling the project. However, the project's management is aware of this risk, and a mechanism for setting boundary prices and a reserve fund will be used to reduce it. It is worth noting that this risk remains though, due to the fact that tokens can be blocked by the system in a customer's account before 12 o'clock due to the high volatility of cryptocurrency.

We have not identified additional risks that could affect the forthcoming token sale or further development of the business.

The information contained in the document is for informational purposes only. The views expressed in this document are solely personal stance of the ICOrating Team, based on data from open access and information that developers provided to the team through Skype, email or other means of communication.

Our goal is to increase the transparency and reliability of the young ICO market and to minimize the risk of fraud.

We appreciate feedback with constructive comments, suggestions and ideas on how to make the analysis more comprehensive and informative.