HighBlock Limited

Product Disclosure

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IMPORTANT NOTICE

Please read this document carefully and keep it for future reference.

We do not act as your financial advisor, and you should not rely on us in that capacity. Before entering into any transaction, you are strongly encouraged to seek advice from your own independent professional advisors. You should proceed only if you fully understand the nature of the transaction, the contractual relationship it creates, all applicable terms and conditions, and the extent of your potential exposure to loss.

If you have any questions regarding this document, or if you experience any service difficulties or interruptions, please contact us using the contact information provided below.

HighBlock Limited is currently in the process of applying for licences from the Securities and Futures Commission ("SFC") to carry on Type 1 (Dealing in Securities) and Type 7 (Providing Automated Trading Services) regulated activities under the Securities and Futures Ordinance. The Company is also applying for the licence to operate a Virtual Asset Trading Platform under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

For more information, please refer to the SFC's website:
https://www.sfc.hk/en/Welcome-to-the-Fintech-Contact-Point/Virtual-assets/Virtual-asset-trading-platforms-operators/Lists-of-virtual-asset-trading-platforms.

We will provide updates should there be any changes to our licensing status.

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Disclaimer

HighBlock Limited ("HighBlock") provides this Product Disclosure in accordance with paragraphs 9.27 and 9.28 of the Guidelines for Virtual Asset Trading Platform Operators ("VATP Guideline"). The information herein, unless otherwise stated, is sourced from third-party or publicly available information.HighBlockmakes no representations or warranties regarding the accuracy, completeness, or currency, of the information herein. HighBlock reviews and may update this Product Disclosure on a periodic and ad hoc basis. However, you should note that information regarding the Products (as defined below) may change from time to time, and this Product Disclosure may not reflect the most current information due to the dynamic nature of virtual assets.

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Bitcoin (BTC)

Introduction to Bitcoin

Bitcoin is the first decentralized cryptocurrency, introduced in a 2008 white paper by an unknown person or group using the pseudonym Satoshi Nakamoto. It was designed as a peer-to-peer electronic cash system that operates without a trusted central authority such as a bank or government.

Development and Launch

The Bitcoin network went live in January 2009 with the mining of the genesis block, marking the start of its blockchain—a public, distributed ledger that records all transactions securely and transparently.

Technology and Functionality

Bitcoin functions as a decentralized digital currency system where transactions are verified by network nodes and recorded in a public ledger called the blockchain. Each electronic coin is defined as a chain of digital signatures, where ownership is transferred by digitally signing a hash of the previous transaction and the new owner's public key.

To prevent double-spending, all transactions are publicly announced and ordered in a single history agreed upon by the network.

The blockchain is maintained by nodes that collect transactions into blocks and apply a proof-of-work algorithm to find a valid hash for the block. This proof-of-work involves incrementing a nonce until the block's hash meets a difficulty target, which requires significant computational effort. Once a block is found, it is broadcast to the network, and nodes accept it only if all transactions are valid and unspent

The network operates by broadcasting new transactions, assembling them into blocks, performing proof-of-work, and extending the longest valid chain. If competing blocks are found simultaneously, nodes temporarily work on the first one received but switch to the longer chain once it emerges. This ensures consensus and security against attacks.

Consensus Mechanism

Bitcoin uses a proof-of-work (PoW) consensus mechanism, where miners expend computational power to solve cryptographic puzzles that validate blocks. The longest chain with the greatest cumulative proof-of-work is considered the valid blockchain. This mechanism prevents double-spending and ensures that the majority of CPU power controls the network's transaction history.

The difficulty of the proof-of-work adjusts approximately every two weeks to maintain an average block time of about 10 minutes, compensating for changes in network hashing power. The security of the network relies on honest nodes collectively controlling more CPU power than any attacker group, making attacks exponentially unlikely as more blocks are added.

Supply

Bitcoin's supply is governed by a predetermined issuance schedule embedded in its protocol. New bitcoins are created as a reward for miners who successfully find a valid block, with the first transaction in each block being a special "coinbase" transaction that generates new coins. This issuance mimics the process of mining precious metals,using computational work and electricity as resources.

The block reward started at 50 bitcoins per block and halves approximately every four years (every 210,000 blocks), reducing the rate of new coin creation. This halving continues until the maximum supply cap of 21 million bitcoins is reached, after which no new bitcoins will be created. Transaction fees also incentivize miners and will become the primary reward once block rewards cease, making Bitcoin a deflationary currency in the long term.

Governance

Bitcoin governance is a decentralized and consensus-driven process that involves

multiple stakeholders working together to manage the protocol's development and

future direction. Unlike traditional centralized systems, Bitcoin does not have a single governing authority. Instead, decisions about upgrades and changes are made through collaboration among developers, miners, and node operators. Developers propose

improvements through Bitcoin Improvement Proposals (BIPs), which are carefully reviewed and debated within the community before any change is considered.

Miners play a crucial role by validating transactions and securing the network. They also signal their support for proposed changes through their mining activity, with widespread agreement among miners often required before updates can be implemented.

Meanwhile, node operators run the Bitcoin software and enforce consensus rules by choosing which software version to adopt. This means that even if developers and

miners agree on a change, it will only take effect if a majority of node operators accept it, ensuring that no single group can impose changes unilaterally.

Resources

Bitcoin.org

Bitcoin Whitepaper

Bitcoin Foundation

Ether (ETH)

Background

Ethereum is an open-source blockchain platform conceived in 2013 by programmer Vitalik Buterin, along with co-founders Gavin Wood, Charles Hoskinson, Anthony DiIorio, and Joseph Lubin. Buterin proposed Ethereum in a white paper as a way to extend blockchain technology beyond Bitcoin's digital currency focus, aiming to create a platform that supports decentralized applications (dApps) and smart contracts with a Turing-complete programming language.

Development and Launch

Development began in 2014, funded by a crowdsale that raised approximately $18 million in Bitcoin. The Ethereum network officially launched on July 30, 2015, marking the start of a new era in blockchain technology focused on programmability and decentralized computing.

Technology and Functionality

Ethereum introduced the Ethereum Virtual Machine (EVM), enabling developers to create and deploy smart contracts—self-executing code that enforces agreements without intermediaries. This innovation expanded blockchain use cases beyond simple financial transactions.

Consensus Mechanism

Ethereum's consensus mechanism evolved significantly with its transition from proof-of- work (PoW) to proof-of-stake (PoS), completed in September 2022 during an upgrade known as "The Merge." Under PoW, miners competed to solve complex puzzles to validate transactions, which required immense computational power and energy. This method, while secure, was energy-intensive and led to centralization tendencies due to the need for specialized mining hardware.

Supply

Ethereum does not have a fixed maximum supply like Bitcoin, allowing its total supply to grow over time. New ETH is primarily issued as rewards to validators under its proof-of- stake consensus mechanism. However, since the introduction of EIP-1559, a portion of transaction fees is burned, which can reduce the overall supply and even make Ethereum deflationary during periods of high network activity. This dynamic supply model balances issuance with fee burning to help manage inflation and promote scarcity.

Governance

Ethereum governance is a decentralized, community-driven process where protocol changes are proposed through Ethereum Improvement Proposals (EIPs) and discussed openly by developers, users, and stakeholders. Decisions are made offchain through social consensus rather than formal onchain voting, with core developers playing a key role in reviewing and implementing updates. Major changes are activated via coordinated network upgrades (hard forks), ensuring the protocol evolves while maintaining decentralization and security.

Resources

Ethereum.org

Ethereum Whitepaper

Ethereum Yellowpaper

Tether (USDT)

Background

Tether (USDT) is a cryptocurrency stablecoin launched by Tether Limited Inc. in 2014. It is designed to maintain a stable value by being pegged to traditional fiat currencies, primarily the U.S. dollar, making it distinct from other cryptocurrencies that exhibit high volatility. Tether aims to bridge the gap between fiat currencies and blockchain assets, providing stability, liquidity, and low transaction fees for users. It is the largest stablecoin by market capitalization and trading volume, widely used for trading, remittances, and as a store of value within the crypto ecosystem.

Development and Launch

Tether originated from the concept of building new cryptocurrencies on top of the Bitcoin blockchain, initially inspired by the Mastercoin protocol. It was first announced as "Realcoin" in July 2014 by co-founders Brock Pierce, Reeve Collins, and Craig Sellars. The first tokens were issued on October 6, 2014, on the Bitcoin blockchain using the Omni Layer protocol. In November 2014, the project was rebranded as "Tether,"expanding support to multiple fiat currencies including the euro and Japanese yen. Over time, Tether expanded its issuance to multiple blockchains such as Ethereum, Tron, EOS, Algorand, Solana, and others, to increase accessibility and scalability. The company behind Tether, Tether Limited, is incorporated in the British Virgin Islands and is owned by iFinex, which also owns the Bitfinex exchange.

Technology and Functionality

Tether tokens function like other cryptocurrencies on their respective blockchains, enabling fast and low-cost transfers while maintaining a stable value pegged to fiat currencies. The reserves backing Tether tokens include traditional currencies, cash equivalents, and other assets such as U.S. treasury bills, with periodic attestations published to provide transparency. Tether's infrastructure allows seamless conversion between fiat and USDT, facilitating liquidity and arbitrage opportunities across Exchanges.

Consensus Mechanism

Unlike decentralized cryptocurrencies such as Bitcoin or Ethereum, Tether itself does not operate its own blockchain or consensus mechanism. Instead, USDT tokens rely on the consensus protocols of the underlying blockchains on which they are issued. For example, USDT on Ethereum inherits Ethereum's Proof of Stake consensus, while USDT on Tron uses Tron's consensus mechanism.

Supply

Tether's supply is centrally managed by Tether Limited, which issues new USDT tokens only when corresponding fiat currency or assets are deposited into their reserves.

Conversely, tokens are burned when redeemed for fiat. This ensures a 1:1 peg between USDT and the underlying fiat currency.

The total supply of USDT fluctuates based on market demand and redemption activity. As of early 2025, Tether reported reserves exceeding $118 billion, with a market capitalization of over $114 billion. The backing assets have evolved over time, moving from commercial paper to primarily U.S. treasury bills to enhance stability and reduce risk. Tether's supply model is designed to maintain price stability by ensuring that every token in circulation is fully collateralized.

Governance

Tether operates under a centralized governance model controlled by Tether Limited and its parent company iFinex. Decisions regarding protocol upgrades, issuance policies, and reserve management are made internally by the company. Unlike decentralized cryptocurrencies, Tether does not rely on community consensus or decentralized governance mechanisms.

The company publishes periodic attestations of reserves and engages with regulators and law enforcement to ensure compliance and transparency. Tether has faced criticism and regulatory scrutiny over the transparency of its reserves but has taken steps to improve reporting and cooperation with authorities. Governance also includes compliance measures such as freezing tokens linked to illicit activities and enforcing sanctions controls, reflecting a centralized approach to risk management and regulatory adherence.

This overview highlights Tether's role as a fiat-backed stablecoin leveraging multiple blockchain platforms for token issuance, centralized reserve management for supply control, and a hybrid consensus relying on underlying blockchain security combined with centralized validation and governance.

Resources

Tether Website

Tether Whitepaper

USDC (USDC)

Background

Circle Internet Financial, Inc., founded in October 2013 by Jeremy Allaire and Sean Neville, is a financial technology company originally headquartered in Boston, now based in New York City. Circle developed USDC, the second-largest stablecoin globally, designed to maintain a stable value pegged to the U.S. dollar. USDC aims to provide a reliable, transparent, and regulatory-compliant digital dollar for use in payments, trading, decentralized finance (DeFi), and cross-border transactions. The majority of USDC's collateral is held in short-term U.S. government securities to ensure stability and liquidity.

Development and Launch

Circle announced USDC on May 15, 2018, and launched it in September 2018 through the Centre Consortium, a joint venture with Coinbase intended to govern the stablecoin ecosystem. The consortium provided a framework for fiat deposits and withdrawals, ensuring USDC's 1:1 backing by U.S. dollars or equivalent assets. In August 2023, Circle and Coinbase dissolved the Centre Consortium, giving Circle sole governance over USDC. Circle has continuously expanded USDC's blockchain support beyond Ethereum to include Solana, Algorand, Polygon, Avalanche, and others, enhancing accessibility and scalability.

Technology and Functionality

USDC is a fiat-backed stablecoin primarily issued as an ERC-20 token on the Ethereum blockchain but also available on multiple other blockchains. Each USDC token is fully backed by reserves consisting mainly of cash and short-term U.S. Treasury securities, with regular attestations published to verify backing. USDC facilitates fast, low-cost, and borderless transactions and is widely used for payments, trading, lending, remittances, and DeFi applications such as yield farming and liquidity provisioning. Circle provides APIs and infrastructure to integrate USDC into various financial and blockchain systems, emphasizing transparency, security, and regulatory compliance.

Consensus Mechanism

USDC itself does not have a native consensus mechanism because it is a token issued on existing blockchains. Instead, it inherits the consensus protocols of the underlying blockchains on which it operates. For example, USDC on Ethereum follows Ethereum's consensus (Proof of Stake), while USDC on Solana or Algorand follows those respective networks' consensus mechanisms. Circle centrally controls the minting and burning of USDC tokens to maintain the 1:1 peg with fiat reserves, ensuring that issuance and redemption are tightly linked to real-world assets.

Supply

The supply of USDC is centrally managed by Circle. New USDC tokens are minted only when an equivalent amount of U.S. dollars or approved assets are deposited into Circle's reserves. Conversely, tokens are burned when redeemed for fiat currency. This process maintains a strict 1:1 peg between USDC and the U.S. dollar. As of late 2024, USDC had over $41 billion in assets under management and a market capitalization exceeding $55 billion at its peak. The reserves have shifted primarily to U.S. Treasury securities for enhanced stability. The supply fluctuates dynamically based on market demand and redemption activity.

Governance

USDC governance is centralized under Circle since the dissolution of the Centre Consortium in 2023. Circle controls decisions regarding protocol upgrades, issuance policies, reserve management, and compliance measures. The company emphasizes regulatory compliance, transparency through regular reserve attestations, and cooperation with financial regulators. Circle also implements risk management practices, such as freezing tokens linked to illicit activities and enforcing sanctions compliance. The governance model reflects a centralized approach to ensure trust, stability, and regulatory adherence in the stablecoin ecosystem.

Resources

Circle USDC Website

Circle USDC Whitepaper