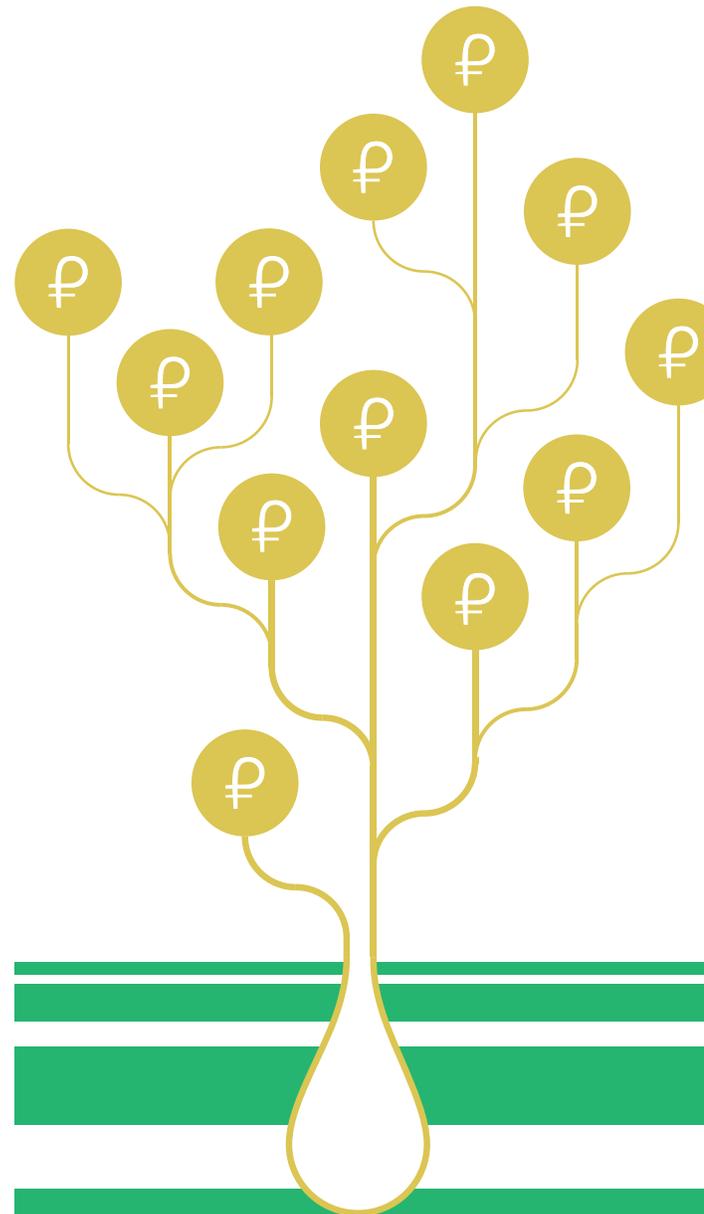


₪etro

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## EXECUTIVE SUMMARY

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**Petro (PTR)** has its origin in the idea of president Hugo Chavez of a strong currency backed by raw materials. Its background dates back to proposals for global financial and monetary coordination prior to the hegemony of the US dollar, which resurfaced after the financial crisis of the late 1990s.

The blockchain allows the transfer of value and information, without third parties. It provides the tools to successfully face the challenge of creating platforms and financial instruments that are transparent, efficient and inclusive.

**Petro** will be a sovereign cryptoasset backed and issued by the Venezuelan State as a spearhead for the development of an independent, transparent and open digital economy open to direct participation of citizens. It will also serve as a platform for the growth of a fairer financial system that contributes to development, autonomy and trade between emerging economies.

Venezuelan oil assets will be used to promote the adoption of cryptoassets and technologies based on blockchain in the country. The State shall promote and encourage the use of **Petro** with a view to consolidating it as an investment option, savings mechanism and means of exchange with State services, industry, commerce, and citizens in general.

The Venezuelan population will have at its reach a technology that will allow them having a valuable reserve and robust means of payment to stimulate savings and contribute to the country's development.

**Petro** will be an instrument for Venezuela's economic stability and financial independence, coupled with an ambitious and global vision for the creation of a freer, more balanced and fairer international financial system.



## INTRODUCTION

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The adoption of **blockchain** technology in the global marketplace is not simply a temporary trend or fashion, but a firm and continuous shift towards a future in which the management of personal, institutional and specially state finances will become easier, straightforward, quicker and more transparent.<sup>1 2 3</sup>

Two of the applications of this technology, cryptocurrencies and tokens, stand out in popularity. Such instruments are convenient for a global society because they allow greater efficiency, speed and freedom in all types of transactions, especially in international trade.

Its use has generated a universe of opportunities that have the potential to alter conventional business practices, especially in industries based on intermediation for exchange or verification, such as finance, trade, manufacturing and even in areas of human knowledge that usually adopt technological innovations in longer terms, such as law and politics.

There is not still a critical mass of cryptocurrency adoption among investors, entrepreneurs, consumers, institutions and even governments, as an alternative to value and information transference: by early 2017, the number of active cryptocurrency users worldwide was estimated to be around three million<sup>4</sup>. However, the explosive growth in supply, market capital and initial offers (ICOs)<sup>5, 6</sup> are clear indicators of significant growth in the users base over the past year<sup>7</sup>.

The development of the cryptoasset ecosystem is based on the revolutionary idea of technological substitution of trust. The work model on which they are based emerged as an ingenious mechanism that combines networks, computing power and incentives for collaborative work to ensure the integrity of information, long with traceability and transparency in exchanges. Additionally, since it places the management of financial resources directly in people's hands, it proposes a different approach to electronic finance security.

However, despite the inherent advantages of blockchains, so far there are only projects, ideas and aspirations to create cryptocurrencies with the backing of a sovereign state. With **Petro**, Venezuela aspires to become the global leader of an economic initiative that makes it possible to take advantage of the value of its natural resources in an innovative way by developing and promoting the adoption of a cryptocurrency in the country.

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<sup>1</sup> <https://hbr.org/2017/03/the-blockchain-will-do-to-banks-and-law-firms-what-the-internet-did-to-media>

<sup>2</sup> <http://capitalmarketsblog.accenture.com/blockchain-technology-a-fad-or-here-to-stay>

<sup>3</sup> <https://www.jpmorgan.com/global/distributed-ledger-technology>

<sup>4</sup> [https://www.jbs.cam.ac.uk/fileadmin/user\\_upload/research/centres/alternative-finance/downloads/2017-global-cryptocurrency-benchmarking-study.pdf](https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2017-global-cryptocurrency-benchmarking-study.pdf)

<sup>5</sup> <https://www.forbes.com/sites/chancebarnett/2017/09/23/inside-the-meteoric-rise-of-icos>

<sup>6</sup> <http://uk.businessinsider.com/ico-mangrove-capital-average-returns-crypto-icos-2017-10>

<sup>7</sup> <http://http://www.coinmarketcap.com>



## I N T R O D U C T I O N

### **Petro is breaking in with a promising outlook, taking advantage of:**

- A market of more than thirty million people eager for savings, investment and exchange international instruments
- A world-renowned oil industry
- The early maturity of blockchain technology
- The participation of allied governments as enthusiastic promoters of cryptocurrency for the development of a new worldwide economy

Petro will have the capacity to overcome blockages, delays and limitations of the traditional financial system, favoring the growth of a new economic ecosystem based on trust, integrity, transparency, efficiency and speed that guarantees the technology of blockchains.

The objective of this document is to describe the technical foundations of Petro's development as an instrument for exchange, savings, investment and as a technological platform. The following will establish the historical, social and economic bases that inspire the development of the instrument, as well as the structure of the global and national market in which it will be used, the issue method and the policies that will consolidate its use.

## → 1 . B A C K G R O U N D

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Due to the imposition of the US dollar as the international backing currency and the subsequent replacement of the gold standard with the fiduciary model, the world economy has shown uncertainty and instability caused by its grounding in a currency without any backing, which has been particularly harmful to emerging economies.

Since then, the need to strengthen local markets and to avoid dependence on unilateral decisions made in the major centers of power to stabilize economies has been recognized. This has led to a number of proposals to support national currencies with the most valuable natural resources of the countries **-often located in emerging economies-**.

Perhaps the best-known case is the case of Bancor, the stable-priced international unit of account, based on a balanced basket proposed by John Maynard Keynes and other leading economists in 1942, with the aim of safeguarding the global monetary system against balance-of-payment crises and exchange-rate instability, anticipating the effects of the United States' dominant position in the Bretton Woods agreements.

In 1969, special drawing rights (**SDRs**), supplementary reserve assets and unit of account created by the IMF based on a claim for a basket of currencies (currently **USD, EUR, GBP, Yen, and Yuan**) appeared. More recently, following the 2008<sup>8</sup> global financial crisis, initiatives such as the Sucre - a unit of account and value for **ALBA** countries - and proposals from China<sup>9</sup> and the Association of Southeast Asian Nations (**ASEAN**) countries emerged.<sup>10</sup>

The combination of this historical background and the international recognition of the enormous potential of new technologies<sup>11, 12</sup> underpin the idea of **Petro** as an international currency developed and promoted by an emerging nation for the development of a decentralized, more egalitarian, inclusive and transparent global economy.

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<sup>8</sup> <https://www.un.org/ga/president/63/letters/recommendationExperts200309.pdf>

<sup>9</sup> <https://www.bis.org/review/r090402c.pdf>

<sup>10</sup> <https://www.rieti.go.jp/users/amu/en/wide.html>

<sup>11</sup> Barrdear, J. y Kumhof, M. (2016). Macroeconomics of central bank issued digital currencies. Bank of England Staff Working Paper No. 605 July

<sup>12</sup> <https://www.imf.org/en/News/Articles/2017/09/28/sp092917-central-banking-and-fintech-a-brave-new-world>



## 2 . B L O C K C H A I N

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A blockchain is a public accounting book that can record transactions between two parties in an efficient, verifiable and permanent way, allowing the technological substitution of trust through the collaborative work of an electronic network whose nodes respond to diverse interests, which are aligned to guarantee the efficiency of the system through clear rules and incentives granted by the same network.

The blockchain organizes the information in the form of blocks, which are verified by the network nodes in order to connect them to the block that precedes it through a **hash** code. The unique conformation of the codes that link to the blocks depends on encryption mechanisms that are in turn defined by a coded and compacted representation of the series of entries they contain.

Once a block has been created and verified by a certain number of nodes (or all of them), according to protocols and rules defined from the first block of the chain ("**genesis block**"), the modification is distributed to all network nodes. All nodes have full registration and the possibility (sometimes the obligation) to audit it permanently and in real time.

The fundamental characteristic of a blockchain is "**distribution**", i. e. the deconcentration of tasks and access to information. All members have an important role (in most blockchains, all nodes have exactly the same role), but none of them concentrate information, nor do they have the power to make any kind of decisions about the chain, so a global consensus based on clear and strict rules is required when making any changes. Therefore the records of a blockchain are highly reliable because they guarantee the integrity of information, traceability of transactions and security.

The use of blockchains is beginning to gain popularity globally. It currently has hundreds of applications. This 'distributed electronic records' technology can be leveraged for all kinds of information: medical records, authorship and patents, data authentication, food distribution, real estate and more, offering even the ability to program automatic execution "**smart contracts**", which promise to revolutionize many activities and industries around the world.

Among its applications, value transfer registration stands out, as the blockchain makes possible **-for the first time in history-** real electronic transfers, that is to say, those where one party gives up an element of information to another and loses its possession (the ability to use or copy it). In short, block chains eliminate the possibility of "dual use" in information transfer, which in financial transactions translates into "**double expenditure**".



It is not surprising that blockchain has been devised precisely with the idea of preserving value and the freedom to make transfers of this value. Bitcoin, the first digital asset based on distributed trust **-without the intervention of a central entity-** was its first application.

Cryptocurrencies are digital assets designed to work as means of exchange that uses cryptography to secure your transactions, to control the creation of new units and to verify the transfer of these units <sup>13</sup>.

A token, on the other hand, is a unit of value that an organization creates to govern its business model and give its users more power to interact with its products, while facilitating the distribution and sharing of profits among all its shareholders. In the case of digital tokens, the accounting and the relationship of the token with the ecosystem around the productive activity is stated on a cryptocurrency's blockchain, as **Ethereum**, which mediates the relationship of the token with the real economy and the fiduciary currencies, although this relationship does not have to be permanent.<sup>14</sup>

#### **Cryptocurrencies and digital tokens:**

- Facilitate currency and legal transactions
- Permit the transference of assets (or certifications of ownership) in a more secure manner
- Empower users and organizations on the management of their finances, so that they themselves become the owners of the banks, and not just the bank account, by owning a "digital purse" or wallet to store their cryptocurrencies
- Avoid the high transaction costs of traditional credit card companies and centralized payment procesors
- Save time thanks to the speed of transactions
- Eliminate geographic barriers by being driven and supported by internet protocols, giving access to secure international financial transactions

These instruments have revealed new financial opportunities for people. However, they still present great challenges, such as usability, price volatility and, especially, the resistance of traditional institutions that are forced to think about what their new role will be in the economy of the fourth industrial era.

Digital cryptocurrency and tokens are not being fully exploited by important actors in society, such as public and private organizations. Both their convenience and the other advantages inherent to the blockchain that sustains them, make us think about the possibility of a massive adoption in the medium term, as long as the states favor the conditions for this process.<sup>13</sup>

<sup>13</sup> Chohan, U. W. (2017). Cryptocurrencies: A Brief Thematic Review. Recuperado el 28 diciembre de 2017. Disponible en SSRN: <https://ssrn.com/abstract=3024330>

<sup>14</sup> Mougayar, W. (2016). *The Business Blockchain: Promise, Practice, and Application of the Next Internet Technology*. John Wiley & Sons, Hoboken, Nueva Jersey.



### 3 . VENEZUELA'S OPPORTUNITY

The economic potential and the fundamental base of the Venezuelan economy is its abundance of natural resources, oil being the most prominent of them. The exploitation and commercialization of hydrocarbon and some related products and derivatives, generate 95% of the income of foreign currencies for the country by exports.

To put it in perspective, the oil market is larger than the sum of all metal markets. This situation puts Venezuela in a privileged position, as it possesses the largest proven reserves of crude oil (300,900,000,000 barrels), as well as great advantages in terms of energy, including an electric system subsidized by the same oil revenues.<sup>15</sup>

#### MAIN PROVEN OIL RESERVES

RANKING	COUNTRY	OIL BARRELS
1	Venezuela	300,900,000,000
2	Saudi Arabia	266,500,000,000
3	Canada	169,700,000,000
4	Iran	158,400,000,000
5	Irak	142,500,000,000
6	Kuwait	101,500,000,000
7	United Arab Emirates	97,800,000,000
8	Russia	80,000,000,000
9	Libya	48,360,000,000
10	Nigeria	37,060,000,000

\*Source: CIA facebook - Data up to 01/01/2017

<sup>15</sup> <http://www.mining.com/web/oil-market-bigger-metal-markets-combined/>

The abundant natural resources of the country allow us to design an unconventional cryptoactive that takes advantage of the blockchain technology to guarantee transparency, auditability and integrity of the information to offer the stability that the volatile market of cryptocurrencies still requires. In this way, it would promote the country as a global reference of sovereignty in front of the big global financial centers.

The price of Petro will be associated to that of the Venezuelan crude oil basket, among other reasons, because the State will accept the payment of taxes, obligations, taxes, contributions and national public services in Petro, which offers advantages for investors on several fronts:

→ **a) Instrument for reducing volatility in the crypto asset market.**

In the last year, the three main cryptocurrencies in terms of market capitalisation recorded a notable increase in prices. Bitcoin multiplied its value 17, Ripple 492 and Ethereum 97 times, but while the overall trend was growth, significant fluctuations were recorded throughout the year. There were days in which Bitcoin went down 18.7%, Ripple 46.0% and Ethereum 27.1%.

**ONE-YEAR PRICE FLUCTUATION OF THE WORLD'S THREE MAIN CRYPTOCURRENCIES**

DESCRIPTION	BITCOIN	RIPPLE	ETHEREUM
Price 01/05/2018	17,429.5	3.1	997.7
Price 01/05/2017	1,013.4	0.0062	10.3
One-year fluctuation	1,619.9%	49,085.6%	9,633.9%
Highest daily price variation	25.2%	179.4%	33.7%
Lowest daily price variation	-18.7%	-46.0%	-27.1%

\* Source: inside development based on [coinmarketcap.com](https://coinmarketcap.com). Data up to 01/05/2018.



Petro will give investors the opportunity to enter the crypto asset market with an instrument of intrinsic value that is safer, more stable and susceptible to a fundamental analysis because it is linked to a widely known industry, and therefore, suitable to be used in large transactions and even as a store of value.

→ **b) Using technology to improve trust and boost growth**

Petro will operate with blockchain technology, following the highest standards to guarantee integrity, transparency, auditability and governance. Thus, the crypto asset will generate trust among international investors by having its foundation firmly established in a context of clear policies and a solid connection with the real economy.

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PETRO IS A MUCH MORE AMBITIOUS PROJECT THAN OTHER DIGITAL CONVERTIBLE CURRENCIES SUCH AS THE DIGIX (GOLD-BACKED) OR THE TETHER (BACKED IN DOLLARS), BECAUSE IT OPENS THE OPPORTUNITY FOR USING OF OTHER ASSETS TO BACKUP THE CURRENCY. DUE TO THE CONDITION OF CRYPTO ASSET WITH STATE SANCTION (NON-CONTROL) ON ITS OWN PLATFORM, THE INSTRUMENT HAS A MASSIVE ADOPTION POTENTIAL, WITH AN APPROXIMATE OF 31 MILLION PEOPLE IN VENEZUELA ALONE, THAT IS, TEN TIMES THE SIZE OF THE GLOBAL MARKET FOR CRYPTOCURRENCIES (JULY 2017).



## → 4 . P E T R O

### → 4.1 P E T R O D E S C R I P T I O N

**Petro (PTR)** will be a sovereign crypto asset backed and issued by the Bolivarian Republic of Venezuela on a blockchain platform. Its launch will spearhead the promotion of an independent, transparent digital economy, open to direct citizen participation, which will serve as a platform for the development of crypto assets and innovation in Venezuela and other emerging countries with great potential.

This instrument will foster the emergence of a fairer, more collaborative global financial system that is conducive to growth, autonomy and trade among developing economies, primarily those based on raw materials:

**Petro will have three facets:**

- a) Medium of exchange. It can be used to acquire goods or services and will be redeemable for fiduciary money and other crypto-assets or cryptocurrencies through digital exchange houses.
- b) Digital platform. It could exercise the functions of a digital representation of merchandise and / or raw materials (e-commodity) and will serve as scaffolding to create other digital instruments oriented to trade and national and international finances.
- c) Savings and investment instrument. Its stable value will encourage its use as a reserve of value and financial investment.

The Bolivarian Republic of Venezuela will demand high standards of combating money laundering and customer knowledge in authorized exchange houses.

The total amount of Petros issued and put up for sale will be one hundred million (100,000,000). There will be no extraordinary issues.

#### → **Divisibility**

PTR will be divisible by 100.000.000 units. The minimum exchange unit will be called **Mene**<sup>16</sup> (0,000001).

<sup>16</sup> "Mene" is the word for petroleum in wayúu. Wayúu is the second most spoken language in Venezuela.



## 4 . 2 E M I S S I O N A N D I N I T I A L O F F E R

The Petro launch will be divided into two stages: a Pre-sale and an Initial Coin Offer **(ICO)**.

### **PRESALE**

The Pre-sale will start on February 20, 2018 and will consist of the creation and sale of an ERC20 token on the blockchain Ethereum platform. This process will promote and guarantee demand for Petro's Initial offering, which will be carried out later.

The tokens that meet the requirements of the ERC20 standard are non-minable digital cards that are issued in their entirety through an intelligent contract on this platform. The token will not be part of the Petro network until it is redeemed or "burned"<sup>17</sup> during the Initial Offer process. The token may be exchanged for Petro at any time between the launch date and the closing of the Initial Offer.

### **INITIAL OFFER**

Petro's Initial Offer will be made later until the eighty-two million four hundred thousand (82,400,000) units available for sale are exhausted. Petro's on sale during the Initial Offer will be created and sold through an auditable mechanism in the blockchain.

### **RESTRICTIONS**

The Venezuelan State will not be able to make new emissions from the cryptoactive Petro.

<sup>17</sup> Burning a token or cryptoasset is the procedure by which it is sent to an address where it is mathematically impossible to reuse.



## 5 . STATE BACKING

Petro's most important contribution to the cryptoassets market and the new digital economy will be the support offered by a sovereign state.

The Bolivarian Republic of Venezuela guarantees that it will accept Petros as a form of payment of national taxes, fees, contributions and public services, taking as a reference the price of the barrel of the Venezuelan basket<sup>18</sup> of the previous day with a percentage discount of **Dv**.<sup>19</sup>

In this way, it is guaranteed that the purchaser always has a recovery value adjusted to the investment.

These payments will be accepted in bolivars at the exchange rate resulting from the operations of the authorized exchange offices, determined by market mechanisms and in accordance with the legal provisions issued by the competent authorities of the Republic, as follows:

$$\frac{\text{Acceptance price of Petro}}{\text{Bolívar}} = \frac{\text{Price of oil}}{\text{Petro}} \times \frac{\text{Petro}}{\text{Bolívar}} \times (1 - Dv)$$

Where the Petro/Bolivar rate will be determined through an average weighted by the volume of operations of all exchange houses authorized by the Venezuelan government.<sup>20</sup>

In addition, the Venezuelan government is committed to promoting the use of Petro in the domestic market and making efforts to stimulate its acceptance throughout the world.

<sup>18</sup> Published in the official website of The Ministry of the popular power for Oil.

<sup>19</sup> This percentage discount (Dv) is equivalent to the current discount rate at which the State sells Petro, which will be at least 10%.

<sup>20</sup> Authorized exchange offices must charge a commission for the operations, whose conditions will be developed by SUPCACVEN.



## 6 . E C O S Y S T E M D E V E L O P M E N T

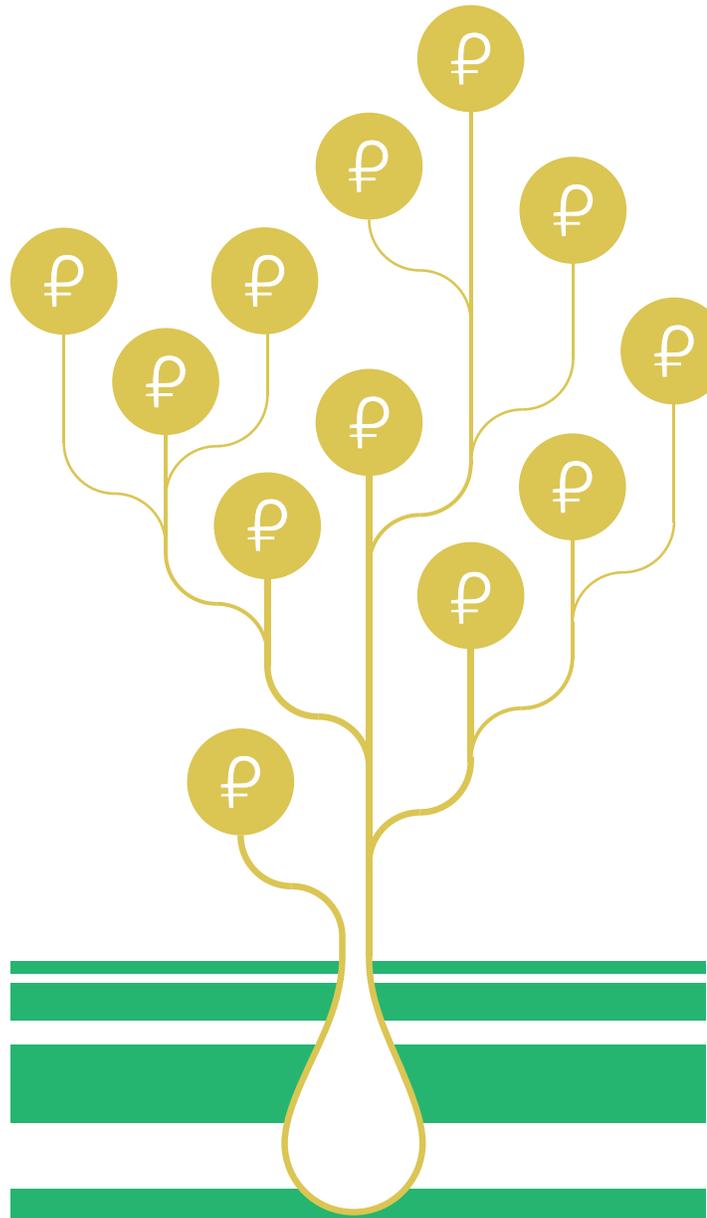
The State will actively assume the commitment to promote the adoption of Petro, encouraging the growth of its national and international user base.

The national government is committed to stimulating a strong endogenous demand that benefits the stability of the crypto-asset's market value. The policies to be applied for the promotion of Petro will also be aimed at increasing the platform's attractiveness as an instrument for the development of innovations and applications that contribute to the growth and financial autonomy of Venezuela with projection to other emerging economies based on raw materials.

### THE PRINCIPAL INICIATIVES ARE:

- The Venezuelan State, through the Superintendency of Cryptocurrencies, will take the necessary actions to promote the exchange of Petro in international cryptocurrency trading houses, with special emphasis on those that operate legally in emerging countries and allied nations.
- The use of **Petro** will be promoted by **PDVSA** and other public and joint ventures, as well as national public entities and regional and local governments.
- The payment of extraordinary labor commitments and benefits in **Petro** will be encouraged, as well as accumulated social benefits, provided they have the expressed individual approval of the benefitted worker.
- The legality of Petro's accounting as an asset will be established. This process should be carried out taking as reference the market value in bolivars of the instrument, with attention to compliance with national policies to combat money laundering and financing of terrorism and the necessary standards for customer knowledge.
- Companies providing goods and services in Venezuela that incorporate the use of Petro in their commercial operations may receive tax incentives.

Additionally, venezuelan State will give projection and stimulate Petro's international demand and promote the use of its platform. To this end, it will establish mechanisms for the incorporation of the cryptoactive in its relations with foreign oil companies with a national presence and in the international commercial relations of PDVSA and other companies and state services.



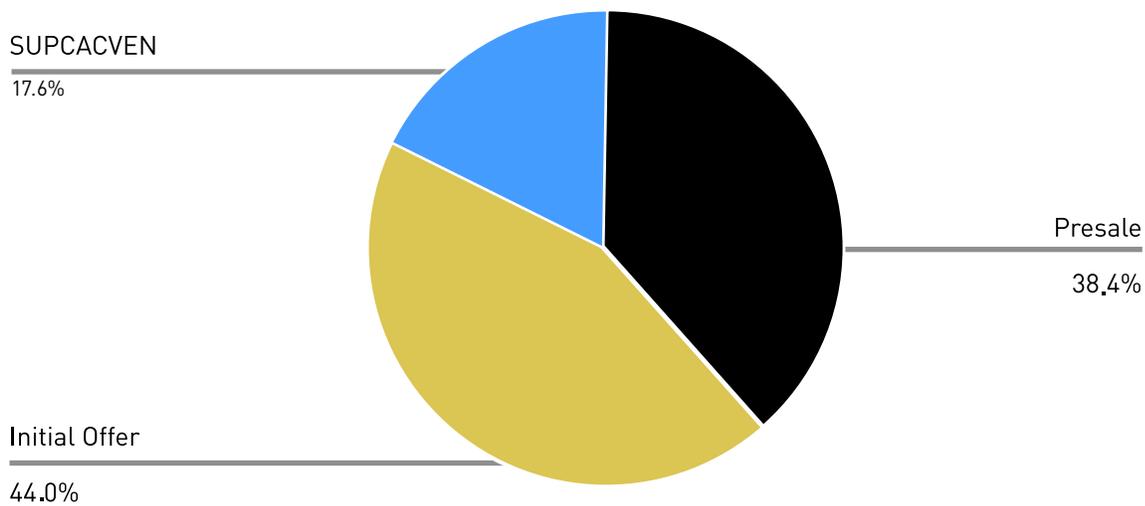
➔ **7. PETRO'S INITIAL OFFER**  
INFORMATION FOR THE INVESTOR

**7.1 ISSUANCE AND DISTRIBUTION**

A total of one hundred million (100,000,000) Petros will be issued, from which eighty-two thousand four hundred million (82,400,000) will be offered to the market in two stages: a private pre-sale and a public Initial Offer, and will be distributed according to the following graph:

**Cryptoasset distribution**

**Petro's distribution**



- 44.0% will be available for the initial public offering of the cryptoasset.
- 38.4% will be available for private sale
- 17.6% will be retained by the Venezuelan Superintendency of Cryptocurrency and Related Activities (SUPCACVEN)

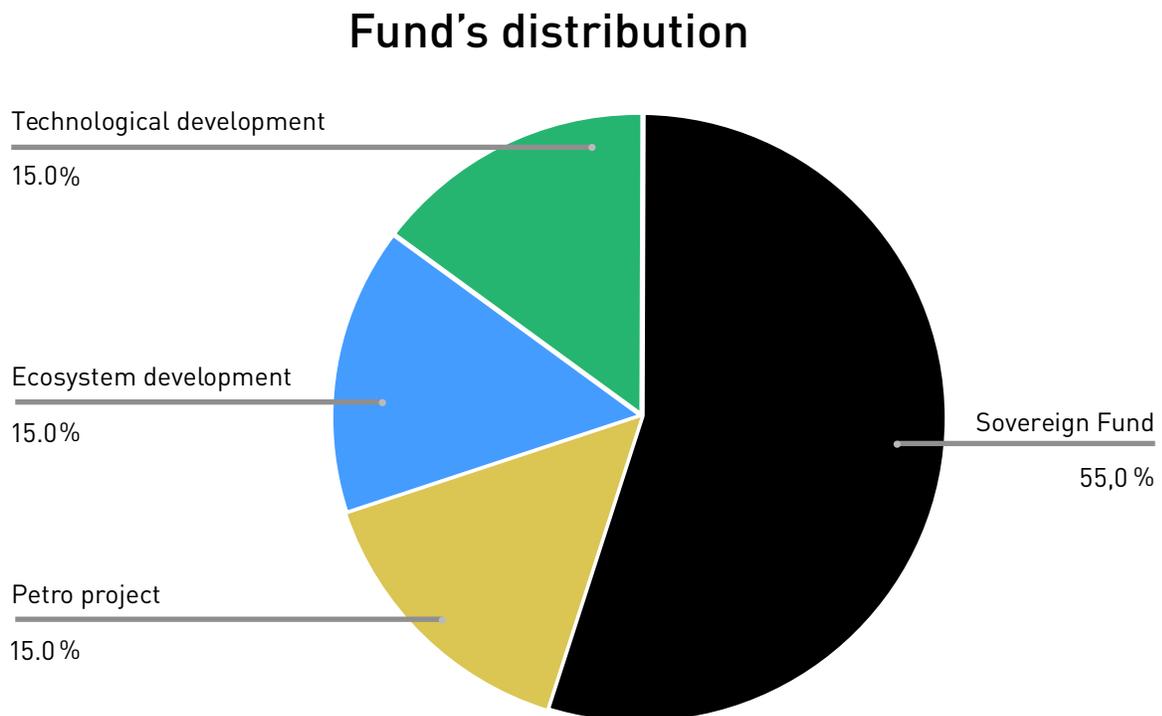


## 7.2 INITIAL OFFER FUND DESTINATION

The funds raised in the initial issue will allow the continuous technological development of Petro and its ecosystem in order to promote its massive adoption. The use of the funds will be auditable thanks to the transparency of smart contracts in the blockchain.

The distribution of the funds raised in the Initial Offer will be as shown in the graph below:

Initial Offer funds distribution



- **15% Petro Project:** funds earmarked for technological development and promotional efforts to comply with the announced roadmap.
- **15% Ecosystem development:** fund for the promotion of applications within the **Petro** ecosystem, which will be proposed through SUPCACVEN and selected by Petro holders by voting through the blockchains.
- **15% Technological development:** funds earmarked for investments in technology, infrastructure, special areas and projects that contribute to the country's economic advancement, with special emphasis on applications of the blockchains to improve productivity and transparency in companies and state agencies.
- **55% Sovereign Fund:** destined to the Republic for the support given to the use of **Petro**.



### 7.3 CONDITIONS AND INCENTIVES FOR THE INITIAL OFFER OF THE CRYPTOASSET

#### BASIC CONDITIONS

- Total emission: 100.000.000

#### PRE - SELL

- **Tokens available:** 38.400.000
- **Reference Selling Price:** USD 60<sup>26,27</sup>
- **Start date and time:** February 20, 2018 at 08:30 a.m. (Venezuela time, -04:00 GMT).
- **Closure date and time:** March 19, 2018 at 23:59:59 p.m. (Venezuela time, -04:00 GMT).

#### INITIAL OFFER

- **Total Petro available for sale:** 44,000,000
- **Reference Selling Price:** USD 60\*
- **Start date and time:** March 20, 2018 at 08:30 a.m. (Venezuela time, -04:00 GMT)
- **Closure date and time:** Until the Petros of the first emission are exhausted

<sup>26</sup> Price of the Venezuelan basket barrel in the second week of January 2018. Subject to change according to market fluctuations.

<sup>27</sup> Apply discounts.

\* Apply discounts as well.



## PROCESS DESCRIPTION

As previously explained, the token of the NEM block chain will have an immutable offer (will be pre-mined) in the NEM blockchain.

The starting day of the Pre-Sale, at 08:30 a.m. (time of Venezuela, -04:00 UTC), the total of thirty-eight million four hundred thousand (38,400,000) tokens will be placed for sale. During the process, degressive discounts will be applied to stimulate early investment.

Prior to the Initial Offer, the 100 million (100,000,000) cryptoassets of the issue will be pre-mined in the **Petro** blockchain. The **Petro** ERC20 token will have **Petro** from its own blockchain reserved to be exchanged when decided by its holders. The remaining Petro's, including those not assigned in the Pre-Sale, will be placed on sale open to the public and will remain available until its existence is exhausted.

This Initial Offer, whose closing depends on the total sale of the **Petro** created, guarantees the Venezuelan State the total collection of funds corresponding to the sale of all **Petro** available for sale (82,400,000 PTR).

During the Initial Offer, four levels of degressive discount will be applied for every five million (5,000,000) of **Petro** until completing and finally a fifth block of twenty-four million (24,000,000) of **Petro** to complete the total destined for the Initial Offer process, that is, forty-four million (44,000,000) of **Petro**.



## INCENTIVES

An incentive system has been designed for investors who purchase **Petro** on a private sale basis. The scheme is intended to stimulate early participation in the Pre-Sale to generate trust that will produce a favorable effect on the market during the Initial Offer.

The plan is quite simple and involves degressive scales of discounts (**Dv**) from the initial lot. This first lot, which will be placed in the Pre-Sale, will have a volume of 3,400,000 Petros and will have a discount on the reference price of crude oil in the Venezuelan basket. The following lots will have 5,000,000 Petro s and the discount will decrease successively for each lot sold, until the last lot, of 24,000,000 Petros, which will have no discount.



### INCENTIVES FOR EARLY INVESTMENT FOR PRE-SALE

#### AVAILABLE FOR PRE-SALE AND INITIAL OFFER

DISCOUNT CURRENT DV (%)	VALUE OF THE CRYPTOASSET (USD)		AMOUNT RAISED (USD)
30	42	3.400.000	142.800.000
27.5	43.5	5.000.000	217.500.000
25	45	5.000.000	225.000.000
22.5	46.5	5.000.000	232.500.000
20	48	5.000.000	240.500.000
17.5	49.5	5.000.000	247.500.000
15	51	5.000.000	255.000.000
12.5	52.5	5.000.000	262.500.000
<b>Pre-sale limit offer</b>			
12.5	52.5	5.000.000	262.500.000
12.5	52.5	5.000.000	262.500.000
12.5	52.5	5.000.000	262.500.000
12.5	52.5	5.000.000	262.500.000
12.5	52.5	5.000.000	262.500.000
<b>Initial Issue</b>	<b>SUBTOTAL</b>	<b>82.400.000</b>	<b>\$4.387.800.000</b>



## 7.4 PURCHASE AND EXCHANGE

### **Petro will be purchased in the following ways:**

- Receiving Petro tokens VEN: PTR from any holder that has acquired VEN: PRESALE in the Presale.
- In the Initial Offer open to the participation of the general public.
- In the secondary market once the Initial Offer process has been completed.

### **NOTE:**

VE:PTR and PETRO:PRESALE are changed to VEN:PTR and VEN:PRESALE respectively, in order to comply with the ISO 3166-1 standard in its type ISO 3166-1 alpha-3 since this nomenclature is closely related to the name of the country, which allows a better identification. Currently, 249 countries, territories or areas of geographical interest are assigned official codes in the ISO 3166-1 standard. The list is maintained by the ISO 3166 Maintenance Agency (ISO 3166 / MA), based on the United Nations Country Names terminology bulletin. The VEN nomenclature corresponds to our country.



## 8. ADVANTAGES OF THE NEM BLOCKCHAIN

The principles behind NEM are probably the most innovative aspects of this blockchain. NEM combines the best possibilities of Bitcoin, Ethereum and other blockchains, but does so in a truly secure, reliable, fast, cheaper and friendly way for the user and the developer. With the help of its standard software, it can be used without requiring IT expert developers to test and verify the authenticity of any electronic document, notarized service or encrypted messaging. The NEM standard software interface is easy to use and allows to create cryptoactives, smart contracts and provide rewards of the network (the mechanism similar to the mining in other public blockchains). In addition, NEM platform has an editable multi-signature wallet that allows the highest level of security.

So, why does **Petro** use NEM instead of Ethereum as the main blockchain? Ethereum is a powerful and interesting blockchain. However, we have found many limitations for **Petro**:

**1. The cost of working with Ethereum is high.** Transaction costs are too high compared to NEM and this can be an obstacle to building the business ecosystem around the chain of Petro blocks. Working with ETH forces you to centralize too many things; Decentralization is overestimated. NEM's public blockchain has very predictable and reasonable costs, while the cost of the private chain is only that of the infrastructure.

**2. Work with Ethereum is slow.** Ethereum executes up to 20 transactions per second (compared to 3 for Bitcoin or 1,700 for VISA, for example). The more the network is used and the current consensus algorithms (based on Force Tests), the more queues are generated and no improvement is expected in this regard. This causes a transaction in ETH to take several minutes or even a few hours to consolidate.

**3. The ERC20 compatibility is overrated.** With the exception of very few cases, there are almost no tokens that communicate with each other and generate associated value.

### Benefits of using NEM

**1. Developer community and leading block chain.** NEM (New Economy Movement) or XEM (the token) is one of the most relevant projects according to its market capitalization. The developer community around the world is very important and they have products in development with big companies like WeChat.

**2. NEM is very fast and cheap.** If we saw before that Ethereum executes up to 20 transactions per second, the NEM new version, **Catapult**, developed in C ++, executes up to 4,000 transactions per second.

**3. Internal blockchains can be developed with NEM connected to the Main Network.** We can consolidate thousands of transactions per user in our own blockchain (zero cost of consolidation) and then connect it to the main network only to send and consolidate certain information.

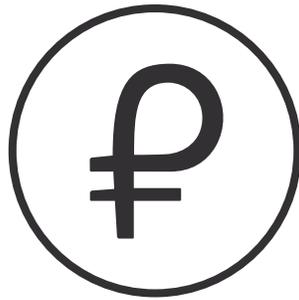


**4. Governance:** The consensus algorithm of NEM (Importance Test, POI) is the way that NEM has to prioritize the relevance of users. It uses the original idea of what is called Test of Importance. Its difference with the others is that transactions are not confirmed through the nodes that have the highest computing power, but by the most important nodes in the network. The importance is defined, not only by the amount of cryptocurrency that the node has, but by the number of transactions made by the owner of the node and by how useful these transactions are. This means that those who produce value for the network get rewards and have more weight in the voting process.

**5. NEM has a model focused on API, in non-technical and user-friendly language for developers.** A very technical and also important aspect: Petro uses the power of API-based NEM technology. The compatibility of all Petro applications is absolute and their integration will be very fast.

**6. NEM has high-quality development tools, including JavaScript and other programming language libraries.** The programming of intelligent contracts with Solidity, the language used in Ethereum, is slow and insecure. The report of Solidity's errors, for example, is more than unfortunate. Using Javascript and all popular languages is a step forward, and doing so in a well-structured library, such as NEM, is the biggest advantage for the rapid growth of Petro's ecosystem.

**7. NEM Foundation.** The NEM Foundation, from its founders to developers, is predisposed to contribute and grow the community.



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