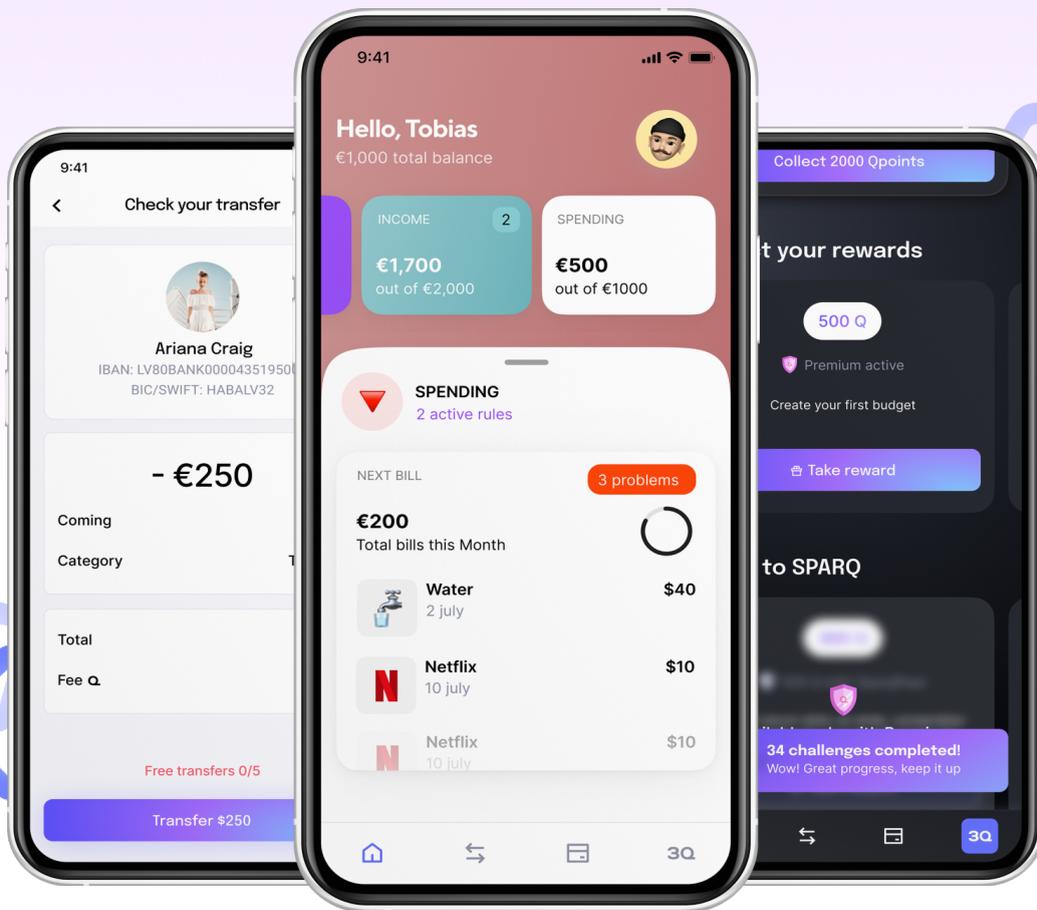


SPARQ

Web3 Personal Finance Platform



sparqan.com

WHITEPAPER

Riga, 2022

Contents

Disclaimer	3
Executive Summary	6
Market Overview	7
SPARQ customer profile	13
Problems and Solutions	16
Problems	16
Solutions	17
Payment solution	17
Money Management Algorithm (MMA)	17
Gamification & Financial Education framework	18
SPARQ PASS	19
Q-point Token Ecosystem	22
% of Tokens	22
Release Schedule	23
Token Allocation	23
Q-points purchase:	25
SPARQ Business Model	26
What is SPARQ Premium?	26
The founder and the core team	30
Risk Register	32
IT Department	33
Finance Department	36
Business Development Department	42
AML Procedures	46
SWOT Analysis	49

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Executive Summary

SPARQ is a personal finance platform for Gen Z. It is a combination of payments, money management, and financial education wrapped around gamification - The Story of Financial Hero.

We're solving the problem of high financial stress in Gen Z that arises from a complex and diverse financial world and low levels of financial literacy.

SPARQ Vision is:

"To create a complete data-driven personal finance management culture for Gen Z and Millennials"

SPARQ Mission is:

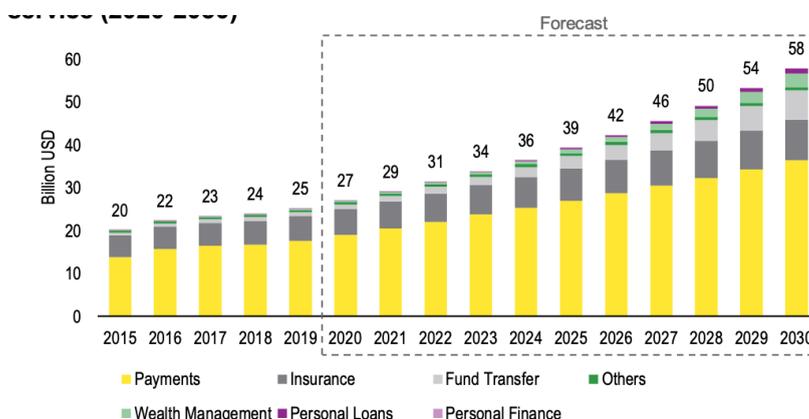
"To help manage personal finances and engagingly raise financial literacy"

The company offers data-driven budgeting tools and gamification elements, such as levels, challenges, and tokens. In this way, SPARQ has the competitive advantage of being the first community-based personal finance platform that improves the financial literacy of the end customer and increases user engagement through gamification elements.

Market Overview

As SPARQ is a fintech app, its benchmarks depend on the whole industry. Adoption of fintech services has been increasing at a rapid pace over the past four years.

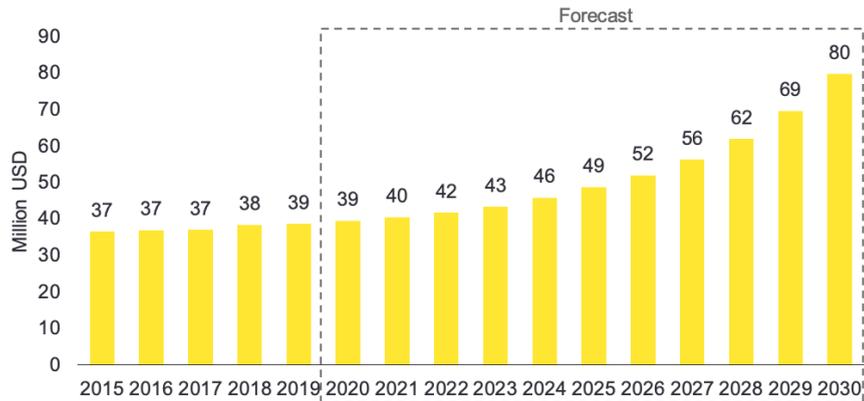
The global fintech market in 2020 is valued at 121 billion USD with the largest market in North America (48 billion USD). The fintech market in Europe is valued at 27 billion USD in 2019. The value of the market is forecasted to increase in size by 107% compared to 2019.



4.1. figure Fintech market forecast in Europe (incl. Russia), segmented by type of service (2020-2030)

The fintech market is segmented by service types. The largest part of the fintech market in Europe consists of payments providers which take up 70% of the fintech market with the annual revenue of 18 billion USD in 2019. Growth in the digital payments sector is driving the market for global financial technology (fintech) solutions. Fintech has made payments for goods and services faster, easier, more convenient and more cost-efficient for customers, who can now pay for various goods and services via cryptocurrency, loyalty points, and other digital cash alternatives.

As Sparq Crypto Project provides personal finance services, we have chosen to examine the personal finance market which in Europe has grown by 5.6% from 37 million USD in 2015 to 39 million USD in 2019. Despite the low historical growth the personal finance market is forecasted to rapidly expand in the following years, doubling in size from 2020 to 2030.



4.2. figure Personal finance market forecast in Europe (incl. Russia) (2020-2030)

The forecasted rapid market expansion indicates that there is room for new companies entering the market and as rapid growth is expected within the fintech industry in the future. The same conclusion stands for personal finance companies such as Sparq, which has the potential to expand rapidly as its product is launched and adapted.

Global neobanks and challenger banks are expected to gain €401.45 billion in 2027, with an extremely high CAGR of 48.1%. The potential of the bank challenger market is reflected in the fact that in 2019 alone, investors funded bank challengers to the tune of \$100 million. Due to the increased popularity of fintech retail banking, younger millennials will, on average, visit their physical bank just twice a year by 2022¹.

¹ J. Milenkovic February 20, 2020 43 Useful Online Banking Statistics <https://kommandotech.com/statistics/online-banking-statistics/>

12 Challenger Banks have raised \$100 million or more in equity financing, and 6 of them are valued at \$1 billion or more (1)

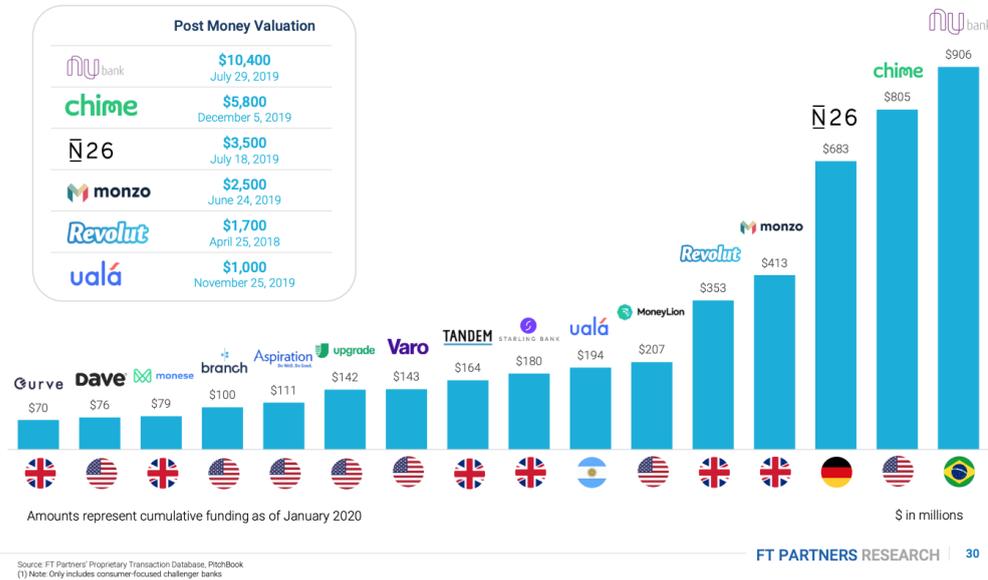


Figure 4.1. Equity financing of challenger banks

In addition to the traditional functionalities offered by bank challengers (i.e., SEPA payments, vaults, virtual cards, etc.) SPARQ focuses on two directions that are not common among large industry players: budgeting and gamification. As technological innovation continues to move at lightning speed, every industry has been affected or transformed in some way. Financial services is no exception. Whether it's electronic bill pay or swiping a credit card to buy a morning coffee, it's now easier than ever for money to change hands, and a plethora of apps aim to help individuals track those transactions. In turn, the gamification market is projected to grow from €7.76 billion in 2020 to € 26.17 billion by 2025, at a compound annual growth rate (CAGR) of 27.4% during the forecast period.

It is worth mentioning that COVID-19 has significantly changed market trends. While a great deal of attention has been given to the impact of COVID-19 on traditional banking institutions, there is also a significant impact being felt in the fintech marketplace. This is best evidenced by the slowdown in funding, decreased establishment of new fintech companies, and the reduced revenue of most organizations already in business. In many ways, fintech firms are more vulnerable than their legacy banking counterparts, despite being better positioned for the digital transformation that is occurring in the banking sector.

Unlike traditional banking organizations, the majority of fintech companies have been in existence for less than a decade, with few showing operational profitability. In most cases, fintech companies have been

relying on investor funding, which is far from guaranteed in the near or intermediate future, especially as revenues have dropped since the pandemic hit.

NOTICEABLE/INNOVATIVE FEATURES MISSING FROM HIGH STREET BANKS

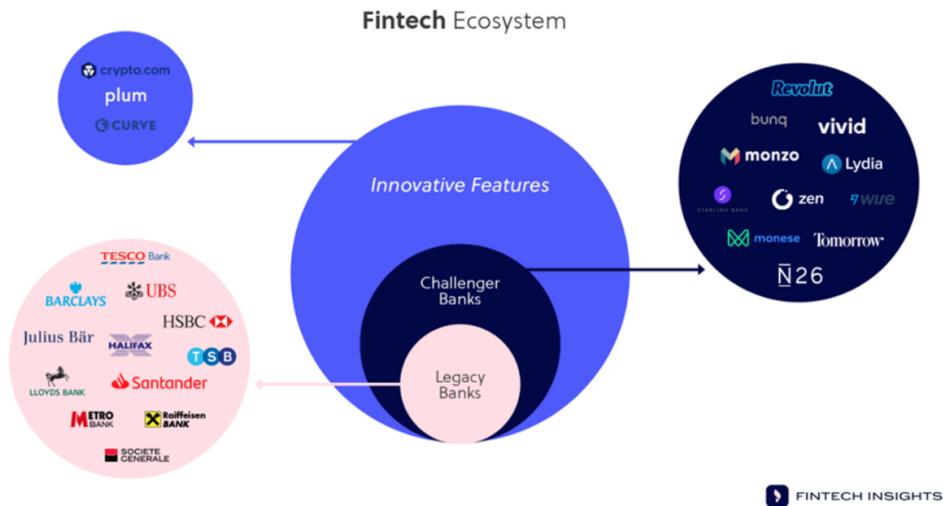


Figure 4.3. Competitor framework

Scientia's (2021) research illustrated plenty of innovative digital banking offerings that are present in Challenger banks but not in High Street banks. Below is a compiled list of the most prominent missing features:

- **Easy strong authentications:** users can easily authenticate themselves via their paired devices. All authentications are paired device based, so there is no need to carry card readers and remember security words and questions. Innovative features in security include device biometrics, custom biometrics of the bank, taking a selfie (with or without actions) and with id/passport.
- **Few steps to open and close accounts:** customers can also create personal pots or joint pots with other members of the bank for a joint cause.
- **Junior accounts:** customers can open junior cards or accounts for their children that they will be in full control of with account limits. They can also set tasks and rewards for completing them.
- **Create payment links:** which can be shared with others and get paid without revealing your account numbers and ibans

- **Create and hold settlement groups:** where a group of users can settle payments and transactions inside a group, splitted in equal shares.
- **Disposable virtual cards:** create a disposable card that the user can use to pay once and then gets deleted. Then they can again apply for a new one.
- **Subscription management:** the users can set their subscriptions for different platforms or products (Spotify, Netflix, Amazon) and manage them through their digital banking application.
- **Easy investments:** users are able to buy/sell and manage their stocks and cryptocurrency without having to navigate to a different mobile application.
- **Automatically allocate a set amount for spending:** users can set a percentage/amount of their salary to be split into specific categories for spending (e.g., shopping, taxes).

The power of advanced technology, AI and a comparatively low fixed overhead provides a competitive advantage over more traditional institutions that are saddled with a large number of physical structures and a workforce that is unprepared for a digital future. The smart use and integration of data gathering across different sources into digital banking services can immensely simplify the customers' daily financial lives. It can significantly improve the experience of a user, and help them with automation, suggestions, and smart features. Scientia research suggests these may include:

- **Automating the budget for each user:** Imagine how easy it would be if budgeting was automatically done for customers as soon as their new paycheck gets in the bank. Based on their spending behavior, it can also include predictions and suggestions. Even better, the bank could suggest the appropriate amount of money be saved as soon as their paycheck arrives, according to their spending habits.
- **Arranging and managing user subscriptions:** based on customers' subscriptions, banks can get valuable insights, such as with which companies they could partner with for referral programs.
- **Organizing and structuring an investment strategy tailored to their needs:** propose an investment plan and where and how much money should be invested.
- **Offering user-specific and personalized rewards:** the customers might be offered discounts to shops and products that will be selected according to their buying habits.

- **Suggesting banking products that will be actually helpful to the user based on their financial needs instead of simply advertising products:** Automated money management can be a very useful tool in cross-selling for digital banking. Based on the customers' behavior and an analysis of their financial health, banks can propose products that will truly help them in their daily lives.
- **Understanding the level of financial education and aiding customers to make improved daily decisions:** what better way to help in financial literacy than aiding your customers that have opened an investment account for example? Videos, blog posts, or even smart suggestions can help them make things less complicated, and enhance their overall experience.

SPARQ customer profile

Each generation has its own characteristics, and since our target audience is the millennial and Gen-Z population, our team conducted a study of scientific articles and statistics in the public domain to draw up a specific model of behavior for this audience.

Firstly, we would like to summarize the information collected in order to provide a clearer picture of the current situation. Based on our research, it can be argued that the millennial generation misallocates their finances, which, according to research, proves the need for SPARQ. The main goal of our team is to allow people to assess not only their financial health. After all, their quality of life directly depends on it. Essentially, the research on this generation revealed that they use new technologies more competently, which is logical since it is very difficult to imagine the life of an advanced person without a phone. But since all purchases are in easy reach (such as by touching a bank card or smartphone to the terminal), it becomes much more difficult to control the health of your budget. So, for example:

- 95.1% of millennials admit to impulse shopping
- 59.29% of millennials admit to drunk shopping
- With nearly 1 in 5 (18.7%) admit to impulse shopping every day
- The average spend on an online impulse purchase is €42.43
- 33.5% reported experiencing regret after an impulse purchase
- 81.3% said they shop online at least once a month²

The next thing we would like to concentrate on is that, based on scientific research³, 1 out of 10 respondents do not have any savings. The report⁴ said that 40.93% of Brits don't have enough savings to live for a month without income, while 22-29-year-olds are the least likely to save, with 53% having no savings at all.

According to the definition of a PwC company, its purpose is to build trust in society and solve important problems (PwC, 2021). Thanks to this goal, the company conducts huge research, on the basis of which the state can improve the knowledge of its citizens and other companies can improve their range of products or services according to the needs of the population. One study is Millennials and Financial Literacy,

² Finder 2020, [finder.com](https://www.finder.com)

³ Finder 2020, <https://www.finder.com/uk/saving-statistics>

⁴ Finder 2020, <https://www.finder.com/uk/saving-statistics>

which analyzed more than 5.5 million Millennials and their financial literacy indicators and factors that threaten their economic efforts and security⁵. The study noted eight trends that vividly reflect respondents' levels of financial literacy:

1. Have inadequate financial knowledge

When tested on financial concepts, only 24% demonstrated basic financial knowledge.

2. Aren't happy with their current financial situation

When ranking satisfaction on a scale of 1-10, 34% were very unsatisfied.

3. Worry about student loans

When asked about their ability to repay their student loan debt, more than 54% of Millennials expressed concern.

4. Debt crosses economic and educational lines

Among college-educated Millennials, a staggering 81% have at least one long-term debt.

5. Are financially fragile

Nearly 30% of Millennials are overdrawing on their checking accounts.

6. Are heavy users of Alternative Financial Services (AFS)

In the past five years, 42% of Millennials used an AFS product, such as payday loans, pawnshops, auto title loans, tax refund advances, and rent-to-own products.

7. Sacrifice retirement accounts

More than 20% of Millennials with retirement accounts took loans or hardship withdrawals in the past year.

8. Don't seek professional financial help

⁵ Pwc (2020), Millennials & Financial Literacy – The Struggle with Personal Finance

Even with inadequate knowledge, only 27% of Millennials are seeking professional financial advice on saving and investment.

Summing up, we can say with confidence that our application is not only convenient in terms of functionality but also solves a very big problem for a generation that already has a great influence on the economy. The main mission of our team is to help people develop themselves and teach them how to use financial resources.

Problems and Solutions

Problems

SPARQ team has identified the following problems of our target customers:

1. Low financial literacy level in EU - OECD conducted an international survey on adult financial literacy where respondents on average scored just under 61% of the maximum financial literacy score. The survey/research assesses financial knowledge, financial behaviour and attitude towards personal financing.
2. No Savings - According to the research nearly 29% of Europeans do not have any savings, meaning that they live from paycheck to paycheck. 1/3 of those who have savings have only the equivalent of three months' net pay or even less.
3. Financial Stress - 'Financial stress' refers to the feeling of anxiety caused by one's own financial condition/status, accompanied by a psychological stress response. Equally as any other type of stress, financial stress negatively impacts a person's physical and mental health, thus affecting a person's daily life.

Due to the 2020 pandemic 79% of surveyed millennials admit experiencing increased financial stress.

4. Millennials are different - Traditional banking services do not resonate with a mobile-first generation that is used to simple, on-demand services, as well as intuitively easy interfaces and functionality of an application. Traditional banking applications are generally hard to navigate as they offer numerous services targeted at different customer categories who obviously have different needs and preferences.

Solutions

Solution provided by SPARQ combines the services of banking institutions (payments, transfers, withdrawals, etc.), budgeting tools as well as a unique gamification framework.

● Payment solution

SPARQ specialized both in the traditional and crypto market.

- Personalized European IBAN (International Bank Account Number)
- Instant SEPA transfers
- Card Payments
- ATM withdrawals
- Internal (in-app) transfers
- Crypto Wallet
- Crypto Exchange

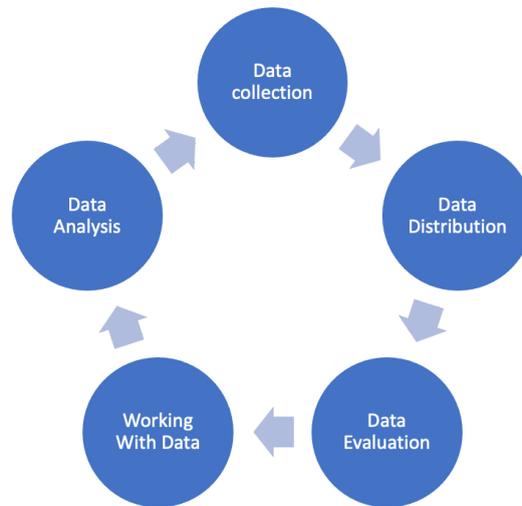
Payment solution shall be considered a tool, not the primary service of SPARQ.

● Money Management Algorithm (MMA)

SPARQ's brand-new money management algorithm helps its users to get full control of their personal finances. It is designed to allocate funds to cover users' needs, spend money properly and set clear financial goals. SPARQ is using a data-driven approach not only to show users current spending but to provide advice aiming to increase savings. Money Management Algorithm includes the following features:

- SPARQ dashboard
- Payment categorization
- Budgeting tool
- Vaults

MMA is based on the data-driven approach that works in cycles.



Data collection - system collects all data about financial activity that a user has;

Data distribution - systems distributes the data by direction: top-up, reserves, daily spending, saving; and installs indicators (the value that a user needs to achieve).

Data evaluation - compliance check

Working with data - adjustment of financial activity

Data analysis - checking the result and preparing for the next cycle

● Gamification & Financial Education framework

Gamification, or the act of making something game-like, is certainly nothing new. Throughout history, humans have tried to make existing tasks more interesting and motivating. When a small group of people casually decide to compete against each other in hunting and gathering, they use the same principles that are prevalent in modern games to make their task more engaging.

Millennials and GenZ are generations that understand the language of gamification. Two-thirds of millennials play video games at least once a month, while two-thirds of Gen Z males state that gaming is a part of their lives. Therefore, SPARQ creates a gamification framework in the application in order to make it easier and more fun to understand such complicated topics as personal finances. SPARQ creates for users the "financial hero journey" whereby by completing challenges and quizzes, as well as succeeding in your personal financial goals a user can become a financial hero, i.e. come closer to the state of financial harmony.

Function-focused design vs. human-focused design. Finance is an integral part of our lives. Challenging the financial world, mastering budgeting skills and improving financial literacy will be a win-win for both customers and the banking sector, since it would significantly increase trust and establish new healthy relationships between both parties.

Starting with the classic PBL (points, badges and leaderboards) system and going on to design a project from scratch using Octalysis (a human-centric gamification framework developed by Yu-kai Chou), we could ask the question: Is it worth playing?

Human-focused design acknowledges that people, unlike machines in a system, have feelings, insecurities and reasons why they want to or don't want to do certain things. Humans therefore optimize their behaviors based on their feelings, motivations and engagement.

SPARQ PASS

"SPARQ PASS" is a gamification element of the SPARQ ecosystem that is analogous to the world famous Battle Pass in the gaming world. "Battle Pass" is a cumulative system that gives the player additional content for completing gameplay tasks. Typically, this content is purely cosmetic and does not affect the balance of the game. In our case, "SPARQ PASS" gives the client the opportunity to generate Q-points, as well as additional opportunities in the form of challenges in the SPARQ application. "SPARQ PASS" is available for all users for free. However, premium users benefit from elevated Q-Point generation and softer terms related to activity (premium users don't lose activity streak even if they don't visit SPARQ application for 'n' days).

The SPARQ PASS formula is completely dependent on the user's activity - number of days users have visited the SPARQ application in a row. Reward generation formula has logarithmic growth. This type of growth curve increases quickly in the beginning, but the gains decrease and become smaller with an increasing number of users' active days in row.

Generated QPoint daily reward is calculated by the system based on the following formula:

$$Qpoints = active_day * \text{MIN}(\log_{base}(r + 1 + shift) * rm, max_daily_reward) * user_type_mult$$

,where:

- active_day - boolean, 1 if user visited application in this day (day reward calculation is applied to), else 0;
- log - logarithmic function;
- base - logarithm base;
- r - number of days user has visited SPARQ application in a row, * premium user doesn't lose streak for n_premium_streak days;
- n_premium_streak - number of days that premium user can stay without visiting SPARQ application and not lose activity streak;
- shift - log curve shift (for initial steepness control);
- rm - days in a row reward multiplier;
- r - days in a row in app;
- rm - days in a row multiplier;
- max_daily_reward - maximum daily reward before user type multiplier;
- user_type_mult - multiplier based on user type (base, premium).

Key element of the model is the number of days the user visits the application in a row, as this hook will motivate people to use the application more often, thereby developing the person's habit of tracking their finances and Q-points growth. Also, this indicator is cumulative (based on a streak), since if a person breaks the chain of visits, then the chain of generating Q-points will be interrupted and start over.

Day is considered as active if the user has opened the app and completed authentication - using Face ID / Touch ID or passcode.

The streak continues if the user changes from basic to premium or vice versa. Streak breaks if the basic user - has not visited SPARQ app in one day; premium user - has not visited SPARQ app for n_premium_streak days+1 (variable in the system).

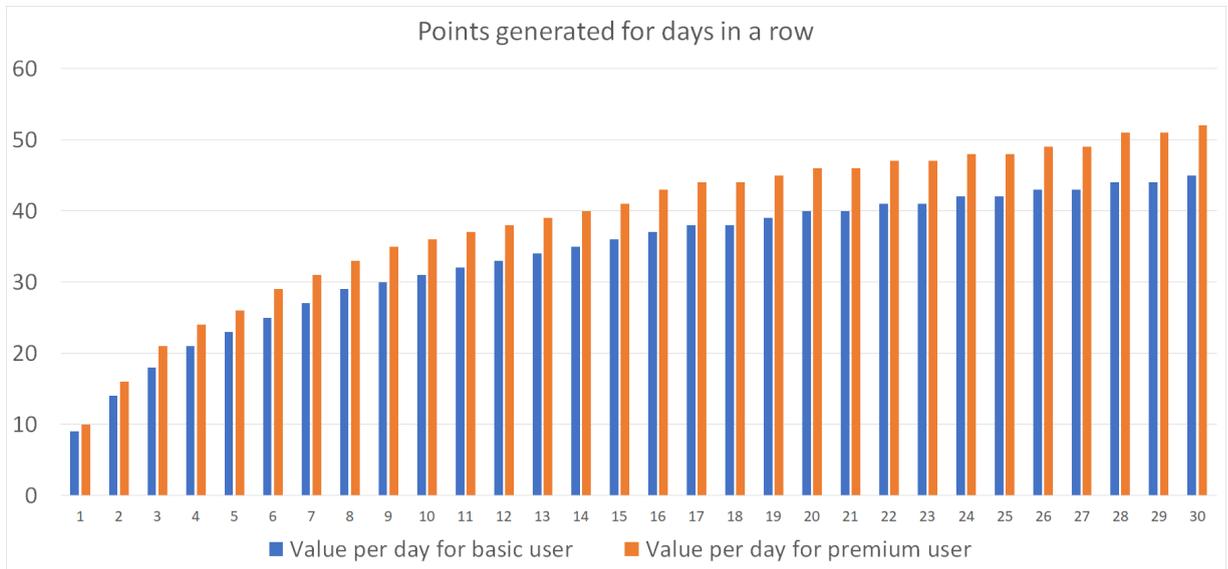


Figure 4.1. Q-points Reward Generation (30 day example)

This graph demonstrates QPoint reward amounts both for basic and premium users based on the number of days the visited SPARQ application in a row.

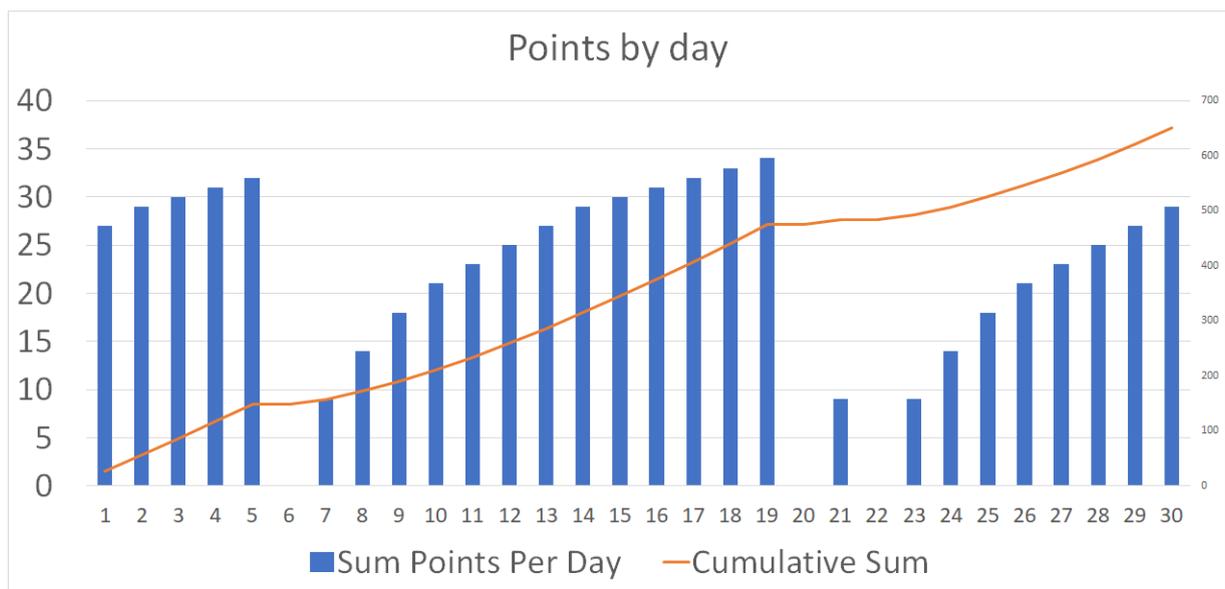


Figure 4.2. Q-points Reward by day (simulated basic user, 30 days)

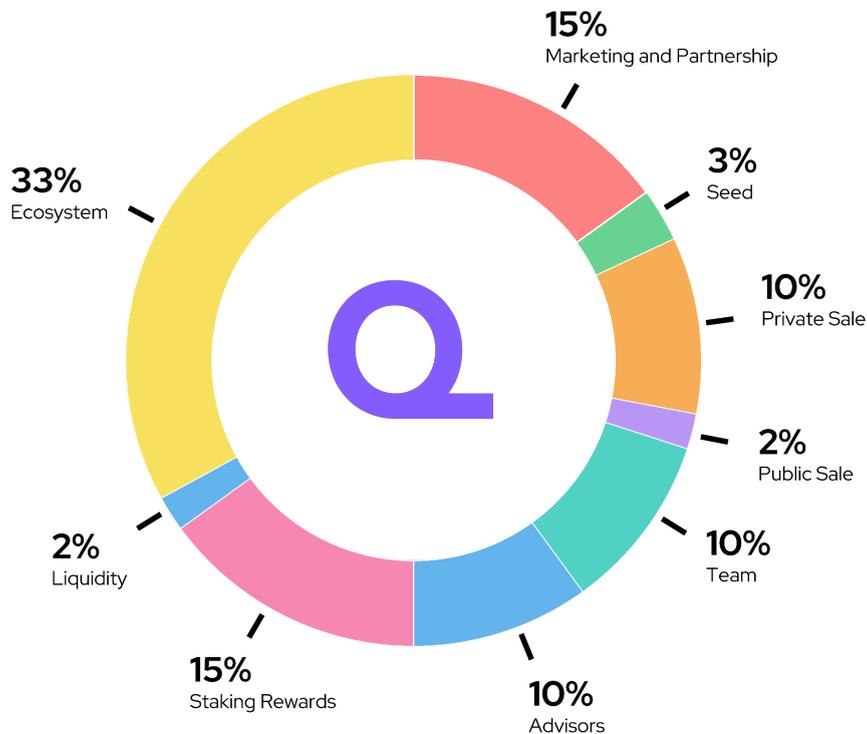
This is how a generated monthly amount of QPoints can look for a basic user. In this example the user starts the month with a streak of 7 active days in row. Continues to visit applications but has gaps(inactive days), where he loses streaks due to inactive days.

The finance team has developed inferred statistics (inferred because user behavior is difficult to predict) that describe the average app usage per day. These numbers are based on the modelled variables from the financial model and user activity probability. Of course, after the MVP launch phase, we will be able to track real user behavior and improve our metrics and adjust variables in the formula.

To come up with an average estimated user earned Qpoint amount, we run 10,000 simulations with selected variables and activity probabilities. Received numbers are later used in a model to understand and model QPoint economy in the application.

Q-point Token Ecosystem

% of Tokens



Release Schedule

RELEASE SCHEDULE	
Seed	Linear vesting every month over 18 months after TGE
Private	Linear vesting every month over 12 months after TGE
Public	30% after 30 days from TGE and 40% after 60 days from TGE
Team	12 month lockup, then linear vesting every month over 24 month
Advisors	12 month lockup, then linear vesting every month over 24 month
Staking	1 month lock up, then linear vesting every month over 48 months
Liquidity	100% unlocked at TGE
Ecosystem	1 month lock up, then linear vesting every month over 48 months
Marketing and Partnership	Linear vesting every month over 20 months

Token Allocation

ALLOCATION	TOKENS TOTAL	% OF TOKENS
Seed	30 000 000	3%
Private	100 000 000	10%
Public	20 000 000	2%
Team	100 000 000	10%
Advisors	100 000 000	10%
Staking	150 000 000	15%
Liquidity	20 000 000	2%
Ecosystem	330 000 000	33%
Marketing and Partnership	150 000 000	15%
Total		100

We want to give the user the opportunity to receive our services completely free. The most active users will earn Q-points by:

- 1) Completing challenges.
- 2) SPARQ PASS which is available to every user.

There are two ways in which customers can purchase Q-points: (1) buying packs of Q-points (three types of packs) and (2) using microtransactions. Moreover, the generation of Q-points will be free thanks to the available challenges and SPARQ PASS. We can allow the user to use the application for free, but for that service users will have to spend a certain amount of time. Because the generation of Q-points depends on user activity.

Q-points purchase:

Q-POINT PACKAGES*			
Package level	Bronze	Silver	Gold
Size (points)	1,000	10,000	50,000
Discount**	0%	20%	30%
Price in EUR (incl. VAT)	0.99	7.99	34.99

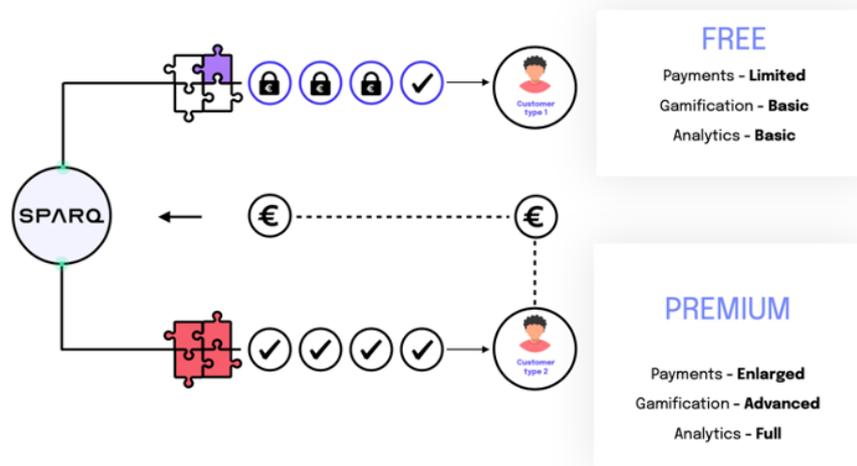
* The price is indicative and may vary during the launch phase.

**There is a discount for early users, thanks to which users can purchase more Q-points for the same amount of money.

Based on the theories of behavioral economics, SPARQ offers a wide variety of packages, giving the user plenty of choice. The pricing strategy is based on a progressive discount model, i.e. larger packages are sold with larger discounts. The Company estimates that demand for these packages will grow as the product is further developed.

SPARQ Business Model

Freemium



4.1 figure Business Model scheme

Based on the best FinTech Market practices, SPARQ is using a freemium model. Doing so, SPARQ allows users to use all the basic functionality for free, while elevated limits and some unique features will be available only for premium users (subscribers). The main advantage of SPARQ's business model against other freemiums is the opportunity to upgrade your free plan to premium without spending at all (by collecting Q-points).

What is SPARQ Premium?

SPARQ has two types of plans. Basic plan available for free and Premium plan with subscription fee – 13.99 EUR per month.

The premium includes itself:

- a. Extended limits
- b. Increased generation
- c. More loyal rules for generating

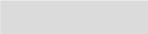
What is the difference?

SPARQ Premium users have following privileges:

1. Elevated number of card transactions, transfers, ATM withdrawals and other services per month that user is not charged for.

Plans

Products	Free	Premium
SEPA transfer	5	25
Card Payment	Unlimited	Unlimited
Mobile Wallet	Unlimited	Unlimited
ATM Withdrawal	200	600
Savings Vault withdrawal	1	10
Vault creation	3	10
Internal SPARQ	50	125
Card Top Up	0	1000

 products that are available at MVP stage

2. Increased Q-points reward for challenge completion compared to Basic users.

Example: After completing challenge A - Basic user gets 100 Q-points, where Premium user gets 115 for the same challenge.

3. Increased Qpoint generation compared to Basic users. SPARQ Pass generates Q-points based on user activity (number of days users visit SPARQ application in row). Premium users will get more Q-points for the same activity.

Example data:

Day in a row	1	2	3	4	5	6	7	8	9	10
Value per day for basic user	9	14	18	21	23	25	27	29	30	31
Value per day for premium user	10	16	21	24	27	29	31	33	35	36

4. Premium users do not lose activity streak in Q-point generation even if they don't visit SPARQ application for N days (N days – to be decided).

Example data (N days = 1):

Basic user:

Date	Visited app	Days in row	QPoint reward
10th January	yes	2	14
11th January	yes	3	18
12th January	no	0	0
13th January	yes	1	9
14th January	yes	2	14

Premium user (missed 1 day):

Date	Visited app	Days in row	QPoint reward
10th January	yes	2	14
11th January	yes	3	18
12th January	no	0	0
13th January	yes	4	21
14th January	yes	5	23

Premium user (missed 2 days):

Date	Visited app	Days in row	QPoint reward
10th January	yes	2	14
11th January	yes	3	18
12th January	no	0	0
13th January	no	0	0
14th January	yes	1	9

We would also like to note that for early users a Premium account will cost less, namely 7.99 euros and the price will not change in a lifetime.

Why do customers need to buy Premium?

1. Expansion of limits - when a person wants to get more free use of services.

2. The uniqueness of a product is when a person wants to receive certain services that are not available to an ordinary user.

3. Service speed - when a person wants to receive a service faster than others and does not wait for q-points to be generated.

4. Service subscription is an automatic subscription that does not require the purchase of q-points. The client can issue it by linking it to his card.

5. Exceeding limits - a person pays for exceeding the limits

a. So that the user is not limited in capabilities

b. For a higher conversion from user to buyer - transfer payment for the event

The founder and the core team

SPARQ is founded by Danila Belokons who initially was the sole shareholder and the only member of the management board. Mr. Belokons has an academic background in business administration and management, supported by additional academic qualifications related to fintech and cryptocurrencies. In 2017 he founded his first crypto-startup which gave not only relevant experience in launching and operating a startup, but also a kickstart to the SPARQ project.

Mr. Belokons is well aware of the contemporary fintech development and trends, therefore, he is responsible for giving strategic direction to the Company and representing it to investors, partners and general public, as well as leading the decision making process and overseeing daily operations of all departments.

By the end of 2020, SPARQ has assembled the core team covering all the necessary functions. The organizational structure of the Company is of the functional type, i.e. vertically structured hierarchy based on the functions of each department.

Chief Operating Officer (COO) - Aleksandrs Kulikovs

Since 2016 Mr. Kulikovs has held executive positions in several companies. His main duties included establishing and maintaining business relationships, problem solving and controlling the working process, as well as being the point of emergency contact for customers. With the background in business administration and finance, Mr. Kulikovs is considered by the founder to be the perfect fit for managing daily operations, developing corporate strategy and advancing business processes and internal software infrastructure.

Chief Financial Officer (CFO) - Nikolajs Petrovics

CFO of SPARQ has himself founded two companies in Latvia, which are successfully operating to the present date. In addition to own businesses, Mr. Petrovics has participated in biomedical startup as lead analyst, which gave him valuable experience and insights in managing startups. Most of his academic and professional background refers to the financial industry, financial analysis, fundraising and relevant market research. Possessing both excellent leadership skills and strong time management and performance KPIs, he is an invaluable member of SPARQ's core team.

Chief Technical Officer (CTO) - Dmitrijs Rozvadovskis

Mr. Rozvadovskis has over 11 years of experience in information services and applications development for the banking and finance sector. He has been holding managerial positions in various financial companies based mainly in Estonia engaged in crypto-asset backed loans, forex trading, crediting, etc. His long professional experience and constantly updating academic background (higher education and numerous courses) makes him a valuable and the most experienced member of SPARQ's team.

Chief Marketing Officer (CMO) - Ilja Landisevs

The position of CMO was delegated to Mr. Landisevs because of his thorough knowledge of marketing principles, product, brand and service management. He has obtained relevant experience during his previous employment at Crypto Baltic, which was founded by Mr. Belokons. Strong interpersonal and communication skills of Mr. Landisevs makes him the right person to establish an effective and efficient connection between SPARQ and its customers.

Risk Register

The Risk Register for this project is a log of all identified risks, their probability and impact to the project, the category they belong to, mitigation strategy, and when the risk will occur. The register was created through the initial project risk management meeting led by the project manager. During this meeting, the project team identified and categorized each risk. Additionally, the team assigned each risk a score based on the probability of it occurring and the impact it could potentially have. The Risk Register also contains the mitigation strategy for each risk as well as when the risk is likely to occur.

Based on the identified risks in the risk register, each risk has been added to the project plan. At the appropriate time in the plan – prior to when the risk is most likely to occur – the project manager will assign a risk manager to ensure adherence to the agreed upon mitigation strategy. Each risk manager will provide the status of their assigned risk at the bi-weekly project team meeting for their risk's planned time frame.

The risk management team created a risk management table to identify and control all the risks that could adversely affect our project during the MVP period. Based on the provided data in the risk management table, a risk matrix is made, in which the y-axis indicates the impact of the risk effect and the x-axis indicates their probability.

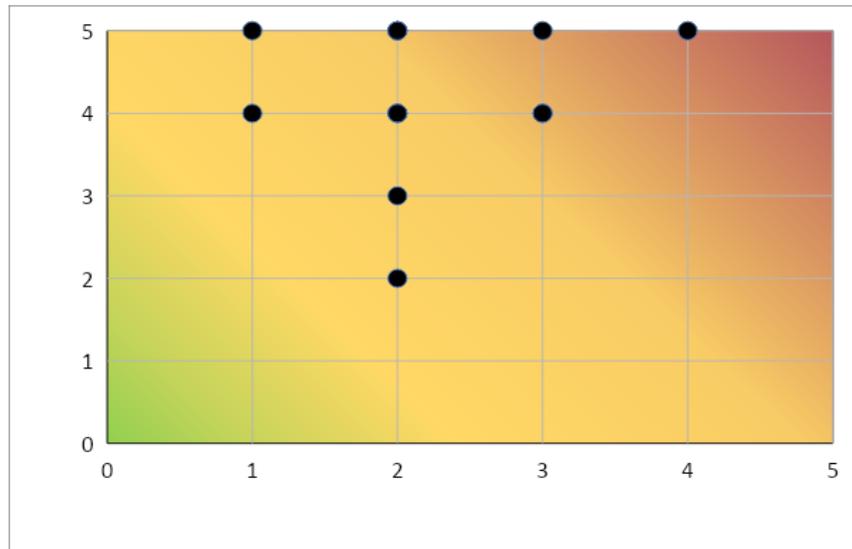
IT Department

The IT department is responsible for projects related to the development of the company's product - this is the most important part of our project, because the success of our company depends on the speed and quality of the tasks performed.

8.1. Table Control management table for IT Department

ACTIVITIES	RISK	CAUSE	CONTROL
Team risks	Recruitment risk	Delay	Timely labour market research. In the future, this will be a responsible recruiter - a dedicated employee. At this time the responsible person is our CTO.
	Lack of competence risk	Acceptance of erroneous decisions in management and administrative matters	Continuous training, recruiting senior specialists.
	Team member leaving risk	Work between participants is divided according to their specific qualifications. If someone leaves the group, then there will be no one to transfer their responsibilities to.	Timely labour market research. Recruiter - dedicated employee. Constant motivation and communication (manager and HR)
	Budgetary planning risk	Acceptance of erroneous decisions in management and administrative matters	When calculating the budget, a stock of 10-15% of the total is taken into account in order to protect oneself from such a risk.
Legal risks	GDPR risk	Personal data security	Summary of safety rules and mandatory procedures, briefing, ongoing verification. In case of repetition - fine
	New regulations risk	New license for aggregators	If necessary timely update documentation or software.
Technology risks	Delay risk	The product is not ready, the tasks scope is not correctly evaluated	Monitoring, to follow scrum guidelines
	Software unexpected update risk	IOS or Android will update their software, then we need to make an updates that will make one more delay on the	Monitoring updates and make timely changes

		main tasks	
	Physical threats	Server capacity overload	Monitoring, Stress testing
	Infrastructure failures	Loss of your internet connection can interrupt our business	Backups, timely proceed of a maintenance
	Technical failures risk	Software bugs, a computer crash or the complete failure of a computer component	Stress testing, testing and automatically backup
Operational risks	Managing operational risks from third-party service providers.	Existing oversight frameworks for important third-party service providers (for example cloud computing and data services) to financial institutions may need to be enhanced, in particular where financial institutions rely on the same third-party service providers.	Monitoring, calls/meetings with service providers. We have created a list of alternative partners in case we have difficulties with regular service providers.
	Human error	Someone might accidentally delete important data, or fail to follow security procedures properly.	Summary of safety rules and mandatory procedures, briefing, ongoing verification. In case of repetition - fine
Cyber risks	Data hacking risk	Hackers could get access to your website, your IT system could become infected by a computer virus, or you could fall victim to a fraudulent email or website.	Instructing employees, monitoring, testing the system for hacking attempts



8.1. figure Risk Matrix for IT Department

Based on the data obtained when creating the risk matrix, our Risk Management team made the top 5 risks that have a greater impact on the development of the project:

1. Delay risk
2. Infrastructure failures
3. Human error
4. Software unexpected update risk
5. Managing operational risks from third-party service providers.

From all these risks, the main risk arises - Technology risks and Operational risks, to equate their occurrence to zero, measures must be developed to reduce the previous risks (table 8.1.)

Finance Department

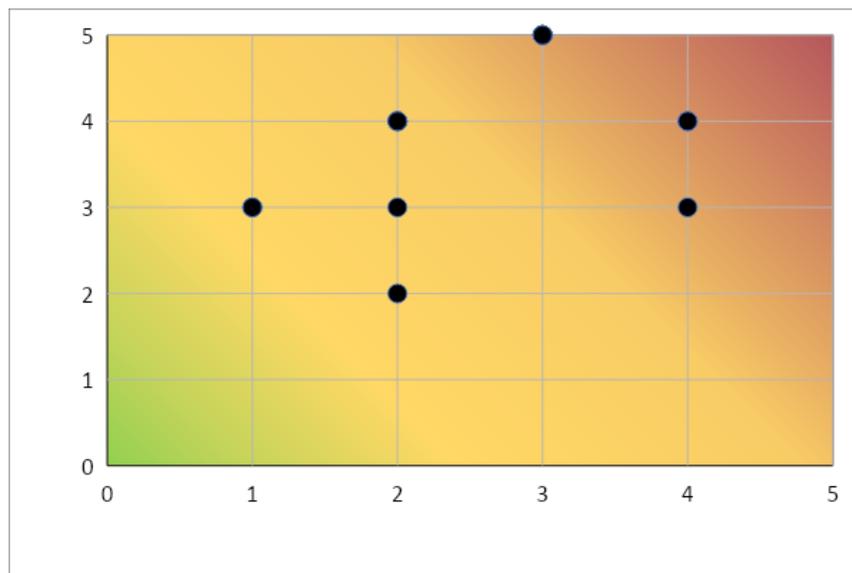
The Finance department is responsible for organization of financial activities of the Company in order to efficiently use financial resources, as well as development of forecasts for the economic development of the Company and participation in the formation of key performance indicators.

8.2. Table Control management table for Finance Department

ACTIVITIES	RISK	CAUSE	CONTROL
Team risks	Recruitment	Delay	Timely labour market research. In the future, this will be a responsible recruiter - a dedicated employee.
	Lack of competence	Acceptance of erroneous decisions in management and administrative matters	Continuous training, recruiting senior specialists.
	Team member leaving	Work between participants is divided according to their specific qualifications. If someone leaves the group, then there will be no one to transfer their responsibilities to.	Timely labour market research. Recruiter - dedicated employee. Constant motivation and communication (manager and HR)
	Budgetary planning risk	Acceptance of erroneous decisions in management and administrative matters	When calculating the budget, a stock of 10-15% of the total is taken into account in order to protect oneself from such a risk.
Legal risks	New regulations	Fintech startups must remain at all times compliant. Due to the fact that in our country the sphere of fintech is currently insufficiently regulated, new rules may arise in the future, which will require a change in the internal structure of the company.	Constant monitoring of news and political decisions to prepare in advance for new rules. We have a dedicated employee who regulates all processes and monitors the news.
	Agreements with third parties	Termination of Distributor's agreement between SPARQ and Railsbank	Risk was partially mitigated by negotiation of mutually beneficial provisions of the Distributor's agreement. In long-term obtaining our own license will make SPARQ independent of Railsbank. We have created a list of

			alternative partners in case we have difficulties with regular service providers.
	Changes in taxation	This may affect our profit	We can not control this risk, also we can move our head office to another country
	Structural risk	risk of becoming out of technology trends	This risk can be mitigated by keeping up with modern trends and adapting our product to customers' needs and staying aware of industry developments, and, perhaps, SPARQ can become the trendsetter in the industry itself.
	Banking licence	Withdrawal or limitation of Railsbank license (incl. Brexit impact)	There is no reasonable ground to expect that termination of Railsbank license can happen in foreseeable future. Still, we are considering obtaining our own license to provide financial services at some point in the future. In order to protect ourself, company need funds to purchase this license. We have created a list of alternative partners in case we have difficulties with regular service providers.
Financial risks	Underfunding	Under-funding is a killer and it usually strikes much quicker than the unsuspecting startup thought it would.	The main method of controlling this risk is to provide indicators that will satisfy prospective investors. Since there is no product at the moment, we cannot provide metrics, but as soon as the product is ready, the finance department will begin to actively work to correct the situation. The company works in two directions - it is a product and a traction and develops them equally
	Choosing the wrong VCs	insufficient fundraising, as a result of which the company's valuation may decrease	Fintech startups must choose VCs with experience and understanding of the space. Thorough market research, as

		well as the correct creation of criteria by which we determine the investors we need
Choosing the wrong Business model	creation of artificial barrier for app login which decreases user-to-buyer conversion	review and development of several business models. in case our assumptions in any of the models are wrong, we can easily amend it.
Choosing the wrong pricing strategy	Due to the fact that there is no similar product on the market, our pricing strategy is based on market research. later we will have to change it and our estimate	Finance department conduct thorough market research and also create three types of scenarios, stress tests are conducted and erly stage - AB testing for better study of user behavior;



8.2. figure Risk Matrix for Finance Department

Based on the data obtained when creating the risk matrix, our Risk Management team made the top 5 risks that have a greater impact on the development of the project:

1. Underfunding
2. Choosing the wrong pricing strategy
3. Choosing the wrong Business model

- 4. Banking license
- 5. Agreements with third parties

From all these risks, the main risk arises - Finance risks and Legal risks, to equate their occurrence to zero, measures must be developed to reduce the previous risks (table 8.2.).

Marketing Department

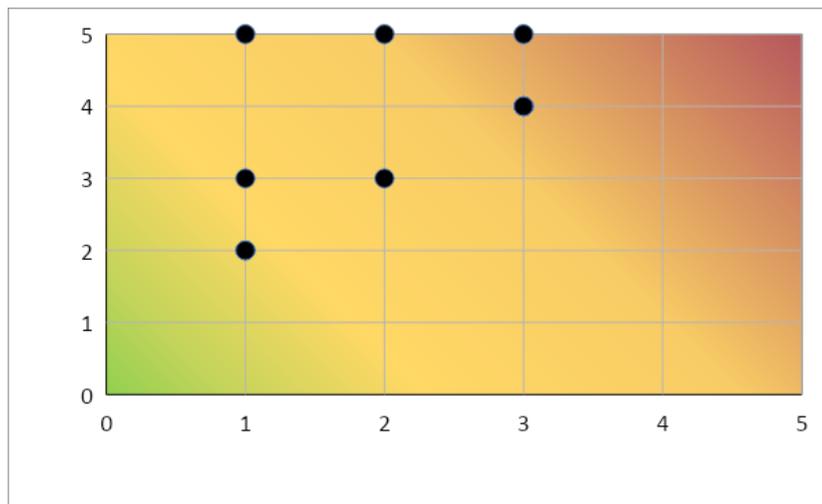
The Marketing Department plays a vital role in promoting the business and mission of an organization and it is responsible for lead generation. It serves as the face of our company, coordinating and producing all materials representing the business.

8.3. Table Control management table for Marketing Department

ACTIVITIES	RISK	CAUSE	CONTROL
Market risk	Competitors	Competitors create considerable barriers to market entry (This can be both a disadvantage and an advantage. Because the higher the barriers, the less opportunities for new competitors to emerge)	Constant market analysis will be needed in order to understand the landscape of the companies around SPARQ and what features and approach to the customer we should have in order to stay competitive.
	Brand Perception and Value	A brand's public perception can and does drastically affect its value	Discussing the things we can and cannot say publicly with all of the departments to have a clear and common understanding of what we are allowed to mention about the company/product. Creation of the document with a unified answers for certain situations, that will make any company public representative be able to tell everything properly, while not compromising company's value
	Demand risk	The risk that demand for our services will fall or fail to materialize	Target Audience studies and analysis will help to prevent such situations where the developed product will be unwanted for the users or will not have proper demand. Constant understanding of

			the Fintech environment will help us to assume which things are more needed for the users.
	Reputation risk	the risk of negative events such as poor customer service damaging our company reputation.	It's impossible to prevent all of the situations that might occur with the reputational risk, since they might come from different sources (poor development, misleading customers in the product, customer support issues, legal troubles and etc.), although we might control the situation by handling the situation properly and present our problem solving skills at it's best. Constant Quality Assurance and double check will help to prevent problems in the first place.
Strategy risk	Inadequate Marketing Strategy	If you aren't collecting data from the right places, aren't bringing in enough of it, or aren't using it the right way, it will come back to bite you in the form of low conversion rates or potential fines.	Data analytics will help to prevent this situation. In depth analysis and expanding the data sources will help planning the projects accordingly.
	Affiliations	Affiliate relationships can go a long way toward a company's success.	Constant understanding of each other's values and benefits from the relationship will help to achieve balance and maximize the partnership. Supervising the affiliation conditions in order to keep it healthy.
	Event Branding	inconsistent or incorrect branding on public displays set out at major events can still be problematic.	Double checking the developed materials for the public eye in order to evade the mentioned problems. Really no other way for it
	Inconsistency	Incomplete or outdated social media pages will reflect poorly on your business if not managed. A company Facebook page that hasn't been updated in a year is no way to represent your brand.	Marketing content calendar. Updating the file with beforehand made content and materials in order to stay safe and keep the track of the problem.

	Advertising risks	How you promote your product heavily impacts the success of your marketing plan. If you use an approach that isn't well-calculated, your efforts will fail. False, misleading, and exaggerated messages can also harm your marketing efforts.	Analyzing the previous experience of advertising development that will lead to understanding the target audience better and what is catching their eye the most. Also market analysis will help achieve better results by observing what the competitors are doing with their advertisements.
Operational risk	Account hacking	The smallest mistake in your social media use can lead to mistrust from your customers.	2FA is the only way to maximize the security of the online accounts and prevent hacking from third parties.



8.3. figure Risk Matrix for Marketing Department

Based on the data obtained when creating the risk matrix, our Risk Management team made the top 5 risks that have a greater impact on the development of the project:

1. Reputation risk
2. Demand risk
3. Advertising risks
4. Competitors
5. Brand Perception and Value

From all these risks, the main risk arises - Market risks and Strategy risks, to equate their occurrence to zero, measures must be developed to reduce the previous risks (table 8.3.).

Business Development Department

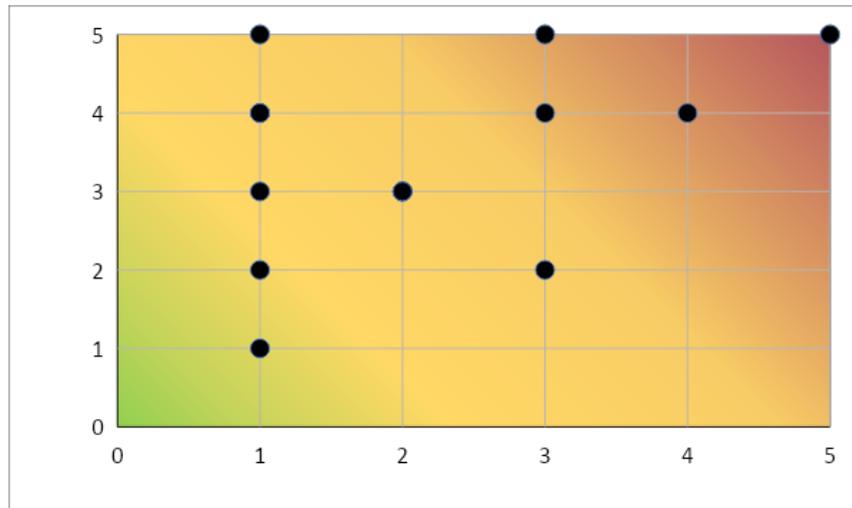
The Business Development department is responsible for fostering the growth of a business or organisation by modifying the business plan and business model and putting new projects in the pipeline. Making sure supporting departments such as Support, Information Technologies, Finance and Marketing are ready to take on new growth opportunities.

8.4. Table Control management table for Business Development Department

ACTIVITIES	RISK	CAUSE	CONTROL
Team management risk	Miscommunication	Miscommunication within and between departments, important information can be forgotten and a result impact other department activities and decrease quality of operations and cause project deadline shifts	Develop a procedure that regulates what information and how it should be distributed between company members, perform education sessions on how to exchange information. Prepare a matrix that can help set the importance of a certain information to be exchanged. Issues and urgent information should be immediately noted down in ClickUp problem and management team notified
	Lack of competence	Acceptance of erroneous decisions in management and administrative matters	Perform weekly meetings with the management team and collect issues. Preparing individual education plan, execution controlled by HR.
	Team member leaving	Work between participants is divided according to their specific qualifications. If someone leaves the group, then there will be no one to transfer their responsibilities to.	Adding motivation from the side of management team. Collecting feedback (friendly communication, heart-to-heart talks) on issues, uncomfortable zones. All operations performed by employees should be documented in business processes and temporarily transferred to other employees within the

			department before a new employee joins the company.
	Budgetary planning risk	Acceptance of erroneous decisions in management and administrative matters. Can impact business model	In case of unclear budget positions, responsible employees should prepare a plan on acquiring lacking information. Perform budget planning with extra gaps that can be used in case of unexpected costs.
Human-factor Risk	Dishonesty by employees	Can prevent making timely decisions by management team and block execution of emergency plan	Encourage employees not to hide important information. In case of repeating violations (3 times), perform one-to-one talks with management and in case of 4th fire employee as his activity does not suit culture and rules of the company
	Ineffective management or leadership	Acceptance of erroneous decisions in management and administrative matters. Can impact business model	Same as with "Lack of competence" risk
Systematic risk	Economic risk (Changes in taxation system in country where company is established)	Increase costs on taxation and influence business model	Conduct recurring research on changes in the taxation system. Have companies in several jurisdiction to minimize risk (we do have one company in other jurisdiction)
	Political risk (Changes in Payment Service Directive of EU, changes in legislation or Lithuania)	Can influence our strategic partner services (Paynet UAB, payment license holder) and as result influence business model and operations of SPARQ	Conduct recurring research on changes in legislation and directive. Timely search for partners that are from other jurisdictions
Partnership risk	Legal risk with Railsbank	Any legal disputes that may arise as a result of violation of the terms of the contract by one of the parties	Comply with all the terms of the contract. If the partner has violated the terms of the contract, find a way out peacefully or find a new partner
	Economic risk with Railsbank	Railsbank can increase collateral amounts what will require additional funds to be blocked. Railsbank can	Monitor the flow of funds, increase the deposit if needed. To avoid the fine from Railsbank - we should comply with all requirements

		impose a fine for violating the terms of agreement	from Railsbank and does not violate them
	Unauthorized access by third-parties	Elcoin will configure us access to its ABS (core banking system), through which a SPARQ employee (our CFO) will be able to connect and work with a SPARQ account. The business account itself is open at Railsbank, but is managed by ABS. Elcoin employees can have the same access, and in this case, fraud can occur.	Elcoin must provide a list of people/positions who have access to ABS. They are obligated not to disclose or use (misuse) confidential information. Also, according to the rules of data protection, they cannot give access to our data to any of their employees, only to those who objectively need this data.
	Legal risk with Sum&Substance and Nordigen	Any legal disputes that may arise as a result of violation of the terms of the contract by one of the parties	Comply with all the terms of the contract. If the partner has violated the terms of the contract, find a way out peacefully or find a new partner
Physical/Premises risk	Risk when moving to new office	Moving to new office can cause decrease in productivity of the company and be out of schedule in terms of projects	Moving to new office should be done in several stages, moving priority departments first and partly so some of team members can still do their work while others move to new office
	Risk with missing deadlines to moving to new office	Can cause lack of workplaces for employees	Have extra workplaces ready to be deployed (yes, we have spare workplaces to be organized)
Unsystematic risk	Strategy planning and execution	Can cause delays in projects execution and as a result break promises to investors	Use strategy execution controlling/managing tools, perform weekly strategy execution check and evaluation



8.4. figure Risk Matrix for Business Development Department

Based on the data obtained when creating the risk matrix, our Risk Management team made the top 5 risks that have a greater impact on the development of the project:

1. Budgetary planning risk
2. Miscommunication
3. Strategy planning and execution
4. Dishonesty of the employees
5. Unauthorized access by third-parties

From all these risks, the main risk arises – Team and Management risks and Unsystematic risk, to equate their occurrence to zero, measures must be developed to reduce the previous risks (table 8.4.).

AML Procedures

Financial companies conduct verification of their clients as part of a set of measures to combat money laundering. Such events are usually designated "AML" - Anti Money Laundering.

Anti-money laundering refers to the laws, regulations and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income. Though anti-money laundering laws cover a limited range of transactions and criminal behavior, their implications are far-reaching⁶.

There are three major steps in money laundering (placement, layering, and integration), and various controls are put in place to monitor suspicious activity that could be involved in money laundering⁷.

8.5. Table Business Wide Risk Assessment

TYPE OF RISK	IMPACT			CONTROL	DESCRIPTION
	Low	Med	High		
Customer type				In Sum&Sub settings will be set the rules who can pass verification	The customers of SPARQ are low risk: 1. Individuals 2. Citizens of EU 3. Aged from 18 - 35 y.o. (millennials)
Customer KYC onboarding				All KYC onboarding will be covered by Sum&Substance.	Sum&Sub will check: 1. End-user's ID documents, that it is valid and true 2. If end-user is in sanction lists 3. If end-user is in black lists 4. If end-user is PEP
Customer's behavior				In the SPARQ system will be limits for transfers. If suspicious transfer or transactions is detected - the customer's account will be suspended for investigation. Also Railsbank has a compliance firewall which also will help to monitor the suspicious activity on customer's accounts.	According to the behavior of customers the SPARQ system will analyze transfers and transactions and will set the risk scoring for every customer.

⁶ Investopedia (2020), Anti Money Laundering (AML), www.investopedia.com/terms/a/aml.asp

⁷ Corporate Finance Institute (2021), Anti Money Laundering

www.corporatefinanceinstitute.com/resources/knowledge/finance/anti-money-laundering/

Customer's activity				SPARQ internal system will analyze and help to monitor AML officer the activity on customer's account	According to the Railsbank AML guidelines the low risk customer's accounts will be monitored every 3 years.
Customer's transactions				SPARQ internal system will monitor the transactions of customers.	As the customers of SPARQ are millennials aged 18-35 and are from EU - the transactions of these are considered as low risk transactions
Customer's transactions (large amount)				If a customer has received a large amount of funds on his account - the SPARQ internal system will detect this transfer. Customer's account might be suspended for investigation. Also due to the limits which are set to every customer by default - the customers will be limited to make transfers for big amounts.	SPARQ AML officers will check the transfer and if necessary - will request from customers additional information or documents. If documents or information provided is not enough or AML officers define the transfer as suspicious - the amount might be blocked, account of the customer blocked. MLRO will report to Railsbank about this transaction.
Customer's transactions (large amount of transactions)				If a customer is making a big amount of transactions on a small amount just to avoid the ID checks - SPARQ system will detect it and the account might be suspended for ruther investigation. Also due to the limits which are set to every customer by default - the customers will be limited to make a big amount of transactions.	SPARQ AML officer will check those transactions and if he finds them suspicious - the account of the customer might be suspended and MLRO will report to Railsbank about these transactions.
Delivery channels				All delivery channels of financials services through SPARQ mobile app are safe, protected with necessary IT structure	
Geographical areas				KYC onboarding will be provided by Sum&Substance. On this stage only customers from the EU will be accepted.	EU countries are considered as low risk areas according to the Railsbank AML guidelines
Geographical areas of operations				SPARQ internal system will analyze the geographical area of transfers and transactions. And if the operation is going to be made from or to a prohibited country - the customer's account might be suspended for investigation.	According to the Railsbank AML guidelines - there is a list of prohibited countries with which customers of SPARQ will not be able to cooperate and make any payments and receive payments.

Customer product type				<p>All SPARQ products which customers will be able to receive - are low risk. The SPARQ products will help customers to save their money, to help with their spending</p>	
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SWOT Analysis

Table 6.2. SWOT analysis

S	W
<ul style="list-style-type: none"> - Gamification - B2C and B2B models - Free to use - Safe to use - Quality customer service - Availability of service - Ease of use - Loyalty system - Free to open an account - Payment analytics - Availability of high-quality services without big expenses/investments 	<ul style="list-style-type: none"> - Not popularized - Does not have a banking license - Acceptance of erroneous decisions in management and administrative matters - No internal development team
O	T
<ul style="list-style-type: none"> - Youth-friendly product - Shift in customer needs and preferences - Flexible product - Growth of millennial and Gen-Z users 	<ul style="list-style-type: none"> - New regulations - The potential for a partner to fail - Main competitors hold a strong market position - Foreign market and barriers to entering it - Financing delay - COVID-19 crisis

The main advantage of this Project is that, to date, no competitor has entered the market with this offer, which includes free use of all services, analysis of personal finances, and gamification. These offers exist on the market, but not in aggregate, and therefore these offers are ineffective.

The main weaknesses of this Project are that we are dependent on a third party. Approximately 99% of the work associated with the development of the application is performed externally. The Project also depends on legislation, which has a clearly tracked tendency to change.