
PETRO THE DIGITAL CURRENCY OF VENEZUELA

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ABSTRACT:

The purpose of research paper is to put some light on the new digital currency Petro (PTR) of Venezuela. The study is based on the various digital currencies in the world and the Petro currency backed by the Venezuela government. The new trend of digital currency has reinvented the way to do business in Venezuela now. Digital currencies are extremely innovative in their areas of investment and development and research for the targeted segments. The study in this research paper explains various plans, schemes, strategies related to digital currency Petro (PTR) of Venezuela. Digital currency Petro (PTR) of Venezuela is one of the scorching events in this period which everyone is talking about. This paper is based on digital currency Petro and the thoughts of financial institutes and banks/investors/crowd funding and all pros and cons of the digital currency of Venezuela. This paper will also put some light on challenges and future road map of digital currencies in world.

Keywords- Petro, Venezuela, Government, Digital Currency, Blockchain, Bitcoin, Ripple.

1. INTRODUCTION OF Petro (PTR)



Petro is a crypto currency/digital currency which was introduced in the digital market world by the Venezuela government. It was announced by the president Nicolas Maduro of Venezuela state, he announced in December 2017 and was launched in February 2018 to the whole public and investors all over the world. It is the first ever crypto currency/digital currency in the world which is backed with an oil barrel (an oil barrel= \$60 USD).

1 Petro = 1 oil barrel

It was introduced by the Venezuela government in the market, by saying that Petro the crypto currency will be backed by the country's oil, gold and other mineral reserves. It is intended to supplement Venezuela's plummeting bolívar currency.

Crypto currencies like Bitcoin, Ripple and other crypto currencies are not backed up with anything in the digital market and they can vanish anytime and all your investments in that currency are lost.

2. STUDY OBJECTIVE

The main objective of this study was to determine and compare the digital currency Petro (PTR) of Venezuela with other digital currencies of the world and how much effort is the government of Venezuela is taking to back it up for the growth of its country.

3. WHAT IS COMMODITY CURRENCY/MONEY

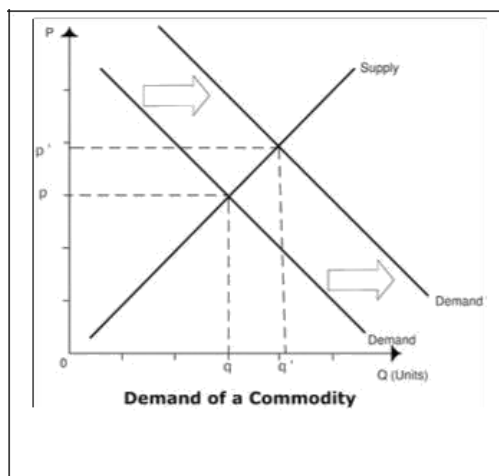


Figure 1

These currencies are popular for developing countries like Tanzania, Papua New Guinea. The name given commodity currency is on the co-move with the world prices of commodity products. On which these countries' are heavy depended on the export of their certain raw materials for income. Example Ghana for cocoa beans which is the second largest cocoa exporter in the world and cocoa is the country's main cash crop.

If the export rate of the commodity product decreases so the values of the country's currency also decreases.

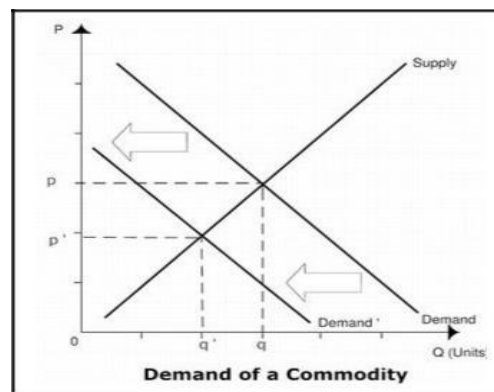


Figure 2

4. WHAT IS FIAT CURRENCY/MONEY

Fiat money came to existence from 11th century. This currency can be declared by governments of specific countries and it is legal. It is not backed with any physical commodity. Fiat currency value is derived from the relationship between demand and supply rather than the value of the material that the money is made up of. Example USA and Canada would mint coins in silver in late 1800 and early 1900.

5. WHAT IS REPRESENTATIVE CURRENCY/MONEY

Representative money/currency is something that represents intent of paying the money such as a Demand Draft (DD) where a individual pays the other party and it is backed by the money in the a bank account and where the bank takes the guarantee to pay the third party.

6. WHAT IS CRYPTOCURRENCY?

Crypto currency was designed for the medium of exchange of secure transactions between users. Crypto currencies are also called as digital assets. Crypto currency works on blockchain technology; it's a general transaction database and a shared ledger between many users. Crypto currency is a decentralized currency and it is not a centralized electronic currency/money like

centralized banking system of the world. The first cryptocurrency was introduced in 2009 and it is known as Bitcoin. After Bitcoin was introduced in market in 2009 after that many digital assets were introduced by many companies in the market.

- It decreases the high transaction costs of traditional centralized banking system payment processors and credit card companies.
- The speed of transactions saves a lot of time.
- The geographic barriers are eliminated and it is backed by digital protocols, giving the right to access to all the worldwide financial transactions in an authentic manner.
- They help to give certificate of ownership in an authentic way to the trade parties of business.

7. WHAT IS BLOCKCHAIN TECHNOLOGY?

Blockchain is a database only. It is an openly shared ledger. It has an ability to record all transactions between two parties by mutual understanding and in a fix way. Blockchain is adding data of records, every ten minutes known as *blocks*, which are linked and fully protected. It is peer-to-peer network. Blockchain has hash code. The block in blockchain is connected with the previous block using hash pointers; it contains the timestamp when it was created and full transaction data. The first block in blockchain id called Genesis block. Blockchain is the future of database.

8. WHAT IS BITCOIN?

Bitcoin is the first cryptocurrency of the world and was introduced in the digital world in January 2009.They our developed by unknown individual or group. Bitcoin is not backed with anything like other currency used in the world. Bitcoin is a decentralized digital currency and worldwide payment system. It works on peer-to-peer network and all transaction is done directly between two users and there is no middle agent involved. For verification of transactions there are nodes and it is done publicly. Bitcoins are given as rewards to individuals who verify the transactions and these individuals are called as miners. The process of giving reward is said as mining. Transaction fees are very less and sometimes it is optional also.

Bitcoins can be purchased online or from Bitcoins ATM and can be used to buy products and exchange services all over the world [2]. Bitcoins can be an investment also and an individual can sell them to others also. It can be exchanged for currencies like USD (\$), yen, etc.

Figure 3

9. WHAT IS RIPPLE?

Ripple was released in year 2012 by the ripple companies it is an open source internet protocol written in C++.It is a shared and public database or ledger. It supports worldwide money transactions of any amount without any charges. Network can work without the companies help.



[3] Ripple backs tokens such as fiat currency, and some different units that carry some value in it. This is a cryptocurrency, being highly used by financial institutions as a settlement for infrastructure technology in this arena.



Figure 4

10. FUNCTIONING OF PETRO

Petro is backed with oil assets of the Venezuela. It is issued by currency of Venezuela on a blockchain platform.

Petro (PTR) have the following features:

- **HOW TO EXCHANGE**

PTR could be used in exchange for services and purchasing goods to maintain daily life for their country citizens and even for tourist. It may be exchanged for other cryptocurrencies through all exchange places in Venezuela.

- **ELECTRONIC PLATFORM**

PTR can in future help to buy products and raw materials from e-commerce websites. It may be the next digital currency for national and international business markets.

- **Petro AS INVESTMENT**

PTR should be available worldwide for exchange in all types of exchange houses that may be physical or digital. The direct exchanges will be protected by the legal bodies of Venezuela government. The Vene-zuela government will need high standards to control money laundering. The investors should have enough information of authorized dealers of exchange institutions.

Restrictions on Petro (PTR)

Venezuelan Government cannot introduce new Petro in future.

Division of Petro

PTR should be divided by 100.000.000 units. The exchange unit will be known as **Mene** (0,00000001).

Formula for calculating Petro:

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

The Venezuelan country government is promoting the use of Petro to its citizens to buy daily life goods from the domestic markets of Venezuela and trying to make efficient efforts to make the world accept the petro crypto currencies.

11. INITIAL OFFER ON PETRO (PTR)

100,000,000 Petro will be supplied and from which 82,400,000 will be for sale in the national and international market [5]. It will be offered in two parts:

1. Private pre-sale
2. IPO

Petro should be distributed as follows:

Petro's distribution

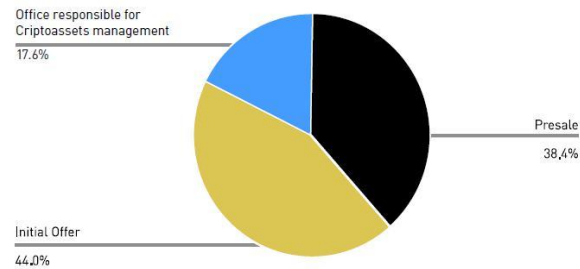


Figure 5 - Distribution

- 44.0% - for IPO Crypto asset.
- 38.0% - for private/corporate sale.
- 17.6% - for the Venezuelan body in charge for the administration of Crypto assets.

Funds Distribution:

The funds from selling the Petro digital currency of Venezuela will help the country in its development and to fight with its critical financial crisis going on[5]. The funds raised can be audited because of smart contracts in the blockchain technology. Distribution of the funds raised is shown in the graph below:

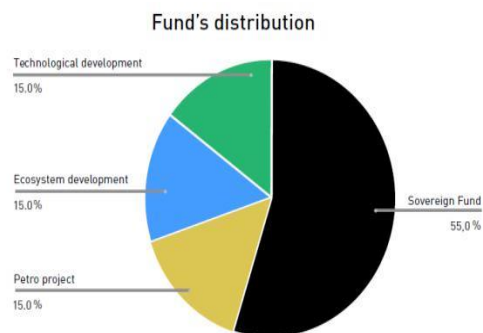


Figure 6

- **15%** of funds raised from sale of Petro will be used for the betterment of **Petro Project**. Keeping in mind the future roadmap of it digital currency assets.
- **15%** of funds raised from sale of Petro will be utilized in the **Ecosystem development**.
- **15%** of funds raised from sale of Petro will be used for the **Technological development** and the country's economic growth.

- **55% of funds raised from sale of Petro will be utilized in sovereign fund.**

Conditions Related to Petro

Total Release - 100.000.000

Petro Pre – Sell Details

Number of Tokens - 38.400.000 Selling Price - USD 6026.27 Date for sale - February 20, 2018 Closing date for sale - March 19, 2018

Petro detail on Initial Offer

Petro for sale - 44,000,000 Petro Selling Price - USD 60* Date of sale - March 20, 018

Closing date of sale - Until all the Petro's of the first announcement is completely sold

12. CONCLUSION

Petro the cryptocurrency / digital asset of Venezuela country will change the way of thinking of the cryptocurrency in the world as it is the first government who is backing the cryptocurrency with its mineral assets like oil assets. Further research work can be carried in the area of digital currency market of investment and the need to back cryptocurrency/digital currency by financial institution and the governments all over the world.

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