Innovative Defi Platform
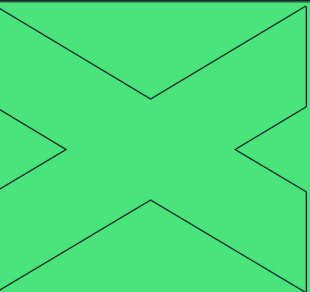
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Whitepaper V1.0

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BXH

BXH (Token) Governance Committee

Overview

In 2020, the development of DeFi (decentralized finance) has been in full swing. Up to now, the Total Value Locked (TVL) in DeFi has reached US$30 billion. According to Dune Analytics data, the monthly transaction volume of the decentralized trading platform (DEX) in January 2021 exceeded US$50 billion, setting a new historical record. As the leader in the DEX industry, The market value of UniSwap (UNI) has also exceeded US$4 billion, ranking 12th in the market value of encrypted assets.

We believe that UniSwap is a pioneer in DEX, and SushiSwap liquidity mining has a good early dividend. However, they are products developed in the early stages of DEX, and problems such as high transaction costs, large slippage, and long confirmation time have not been resolved.

BXH is an evolved version of DEX, and it has joined forces with Huobi Ecosystem. In the future, with the advantages consist the expansion of BXH DAO, the continuous optimization of economic models, and the rapid development of the number of TOKEN pools, the market value of BXH will have a good development prospect.

Content

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INTRODUCTION

The congestion of Ethereum has led to a sharp increase in the cost of participating in DeFi. Whether it is involved in mining or trading, lending and financial management, it can cost dozens of dollars or even hundreds of dollars. The competition is becoming increasingly fierce, and this phenomenon is more difficult to alleviate in the short term. Before Layer 2 is launched on a large scale, the zero-sum game of different Ethereum DeFi projects on the Ethereum block space will continue until a certain equilibrium is reached.

When Ethereum itself cannot carry the rapid development of DeFi, it will spill over to other chains. The development of the Huobi Eco-Chain (hereinafter referred to as Heco) is the best proof that this trend is taking place.

BXH is a decentralized exchange built on the Huobi Ecological Chain (hereinafter referred to as Heco). BXH, which integrates automatic market-making (AMM), community autonomy (DAO), platform currency pledge mining (Staking), and has a new transaction fee distribution mechanism, aims to promote the automatic exchange transactions of all high-quality digital currencies on the Heco chain. Liquidity is automatically provided on the Heco chain to provide users with a more secure and reliable trading experience with diverse assets and high-cost performance.

Greater transaction activity can create more value for users, and at the same time bring user clustering effects and ecological prosperity. As a fully functional DEX, we combine the advantages of Heco's low transaction fees and the prosperity of the Ethereum ecosystem and are compatible with Ethereum and various smart contracts including HRC 20.

INTRODUCTION

BXH is a decentralized exchange deployed on Heco. All transactions are carried out on the chain. It supports decentralized digital currency transactions, liquidity mining, platform currency pledge dividends and other gameplay methods.

BXH is completely decentralized. It can freely deposit tokens for exchange and can be withdrawn freely, without the registration, identity verification and withdrawal restrictions of centralized exchanges. Its counterparty is not other trading users, it is trading with the token pool, and has an automatic market-making model to calculate the transaction price.

One of the characteristics of BXH is AMM, which brings everyone's liquidity together and then makes market according to the algorithm. It is essentially an algorithm-based automatic market-making service, which can provide unlimited liquidity, can have a large order size, and do not have to worry about a small liquidity pool. Unlike the ultra-high GAS fees on the Ethereum chain (a single transaction of up to tens of dollars, or even hundreds of dollars), the gas utilization rate of BXH is relatively high, so the transaction fee can be reduced to an ultra-low $0.001.

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INTRODUCTION

1.1 AMM Transaction

The automatic market-making trading section of AMM is one of the core sections of BXH. It provides users with low complexity, low gas cost, and decentralized digital currency transactions that do not require off-chain input. This allows investors to easily and quickly obtain income while also using Provide liquidity to further increase the value of income.

1) High capital efficiency and low slippage

BXH extends the CFMM-based low slippage model to volatile assets, thereby dynamically updating the reserve weight of the liquidity pool to maintain the reserve value at a 1:1 ratio. This allows BXH's AMM transactions to expand liquidity within the common price area while retaining the incentive for arbitrageurs to rebalance the fund pool.

2) Optimize temporary losses

BXH uses ChainLink's Oracle smart contracts to integrate data from external sources on the blockchain and extend this concept to assets with variable exchange rates. Arbitrageurs no longer take value from liquidity providers in the form of temporary losses but balance the distribution of tokens in the AMM pool to deal with token transactions.

3) Multi-token exposure

The BXH developed based on Heco allows any HRC20 token to be merged with other HRC20 tokens, which eliminates the requirement for liquidity providers to be exposed to ETH. This not only allows liquidity providers to flexibly maintain a more diverse portfolio of HRC20 token positions but also creates more potential liquidity pool combinations for transactions to extract liquidity from them. Investors can fully own their preferred asset exposures without purchasing additional reserves and investment funds, reducing temporary losses and increasing investment efficiency.

4) Handling fee feedback

The BXH platform AMM transaction charges 0.3% of the transaction amount as a handling fee, of which 0.2% is obtained by the market maker, 0.05% flows into the repurchase fund pool to automatically execute repurchase and destruction, and 0.05% is distributed to the BXH DAO dividend pool.

Enhance the liquidity of the platform through fee feedback.

1.2 Liquidity Mining

The BXH team continues to explore potential digital currency investment solutions for users to launch the AMM trading section. In addition to the 11 trading pairs that are simultaneously online with the platform, the trading pairs on the later online platform are all voted on by BXH's DAO community governance.

The AMM trading area is also linked to liquidity mining. In the three major trading areas of mainstream coins, platform coins and innovation coins, liquidity mining of BXH platform coins is obtained according to different weights.

1.3 Derivatives

In our plan, as the trading volume and liquidity of BXH continue to increase, the platform will gradually enrich the structure of various products, including the perpetual contract module currently entering the testing phase.

Perpetual contracts are derivatives that allow users to buy and sell the underlying asset value in the market. Similar to traditional futures contracts, the main features of BXH's decentralized perpetual contract products are as follows:

1) There is no expiry date/settlement date for the position, you can hold it for as long as you want (no need to frequently manage and establish positions, suitable for long-term investors, but also save frequent delivery fees).

2) The underlying asset itself does not need to participate in the transaction (there is no need to actually hold the underlying asset, which means there is no custody issue).

3) The price of the perpetual contract closely tracks the market price of the underlying asset.

4) High leverage: There are flexible leverage multiples to choose from (enlargement of capital efficiency).

5) High liquidity: Perpetual contracts are derivatives with the largest trading volume. They have strong liquidity and it is easier for buyers and sellers to participate.

Decentralized perpetual contract products have the characteristics of non-custodial funds, transparent mechanisms, and auditable, which represent the innovation of financial models without permission, and the ultimate beneficiaries are end-users. In addition, BXH's new design of transaction models, funding rates, contract clearing, liquidity incentives and other mechanisms will bring more imagination to the entire perpetual contract market.

BXH's development team has many years of blockchain project development background, with China's national project experience and the technology blessing of the world's top enterprise Huawei, which can maximize the performance advantages of Heco and provide technology for the safety of the project and the flexible realization of future operations Guaranteed.

BXH is part of the Huobi ecological chain fire plan. The underlying public chain is Heco, with a TPS of more than 500 and a block generation time of only 3 seconds, which is 32 times and 4 times that of the Ethereum network, respectively. Seamlessly compatible with Huobi Wallet and Ethereum. It can meet the needs of users in terms of safety, speed, ease of use, and investment flexibility.

2.1 Functional concept

AMM (Automatic Market Maker) is currently the most popular trading model in the DeFi field. It is different from the order book matching method. AMM uses a fixed product method to convert tokens in the trading pool. Transactions can be automatically executed to ensure the liquidity of trading pairs.

AMM has two participants, the trader and the liquidity provider (LP). LP will first inject a certain amount of tokens into the pool to provide transaction liquidity while earning transaction fees paid by traders. For liquidity providers, the act of providing liquidity to earn income is called liquidity mining. In this way, we distribute the native token BXH to the real users of the community, that is, the most real stakeholders of the project. The core functions/concepts in the whole process include:

1) Liquidity pool

A system account that stores mortgage tokens and has no private key control. The account mainly contains two parts, Token and BXH tokens (as proof of liquidity held by the market maker and can be transferred). Each Token has its own liquidity pool to calculate the relative price of the two.

2) Liquidity

Two kinds of assets can be exchanged in the liquidity pool. Mortgage these two assets into the liquidity pool can be considered to provide liquidity for the liquidity pool. When the mortgaged assets are retrieved, the user can automatically obtain the money collected during the exchange transaction. Related fees.

3) Market maker

Any individual, organization, or institution that pledges tokens to the liquidity pool.

4) Market-making formula

A constant product is used as the market-making formula: $x * y = k$, x represents the number of x tokens, and y represents the number of y tokens. During the exchange process, the value of k remains unchanged, and will only change when the market maker increases/decreases liquidity.

5) Increase liquidity

In order to obtain the commission during the exchange process, market makers can mortgage their tokens to the liquidity pool, which mainly includes two situations:

Create a liquidity pool: If there is no liquidity pool for the token on the current chain, the market maker needs to mortgage a fixed number of tokens and BHX tokens in proportion to the current market conditions. This step is equivalent to initializing the liquidity pool And price the tokens. If the market maker does not price according to the current market, then the arbitrageur finds that there is a price difference, and exchange behaviour will occur until the price is close to the current market price. In this process, the relative price of tokens is adjusted entirely through market demand.

Increase liquidity: If there is a liquidity pool for the token on the current chain, when the market maker mortgages the token, it needs to mortgage the two tokens separately according to the exchange ratio of the current liquidity pool. We use BHX tokens for calculation. As a benchmark, calculate the amount of another token that needs to be mortgaged. If the ratio of mortgaged tokens does not meet the exchange ratio of the current liquidity pool, the transaction will fail. In this way, it is possible to avoid making market makers lose money due to the existence of arbitrageurs.

After the mortgage is completed, the system will lock the mortgaged tokens and issue a liquidity certificate to the user's account. The liquidity certificate can also participate in transfer transactions.

6) Exchange tokens

When there is a liquidity pool of a certain token, users can initiate exchange transactions according to their own needs. During the exchange process, a certain handling fee needs to be deducted from the input tokens (this parameter can be initiated through the BXH DAO module modify). From the classification of transactions, there are a total of two situations as follows:

Purchase tokens: If a user purchases a certain fixed amount of tokens, the system will calculate the amount of another token that the user needs to pay based on the number of tokens purchased and the current stock of the liquidity pool. The number of tokens is less than the value calculated by the system, and the transaction fails.

Selling tokens: If the user sells a fixed number of tokens, the system will calculate the amount of another token that the user gets based on the number of tokens sold and the current liquidity pool. If the user specifies another token The number of tokens is greater than the value calculated by the current system, and the transaction fails.

In the above two cases, the system supports the exchange of Token to Token, which requires that both of these two tokens have mortgage liquidity. The system will undergo two exchanges, Token1 --> BHX token, BHX token --> Token2.

7) Withdraw liquidity

After the market maker has mortgaged the tokens, it receives the liquidity certificate of the corresponding token and can exchange the mortgaged tokens through the certificate and obtain market-making rewards. After the liquidity is withdrawn, the same amount of liquidity certificates will be destroyed from the user account and the liquidity pool.

2.1 Advanced Solutions

Two inherent problems hindering the development of AMM:

1) Impermanence loss

The most important and common unknown risk faced by liquidity providers is impermanent loss (that is, over time, there is a value difference between directly depositing tokens in the AMM pool and merely holding tokens in the wallet). As long as the market price of the tokens in the AMM pool deviates from either side, impermanent losses will occur. Since the AMM pool cannot automatically adjust the exchange rate, arbitrageurs need to buy low-priced assets or sell high-priced assets until the price provided by AMM matches the external market price. The profits obtained by arbitrageurs are drawn from the pockets of liquidity providers, which brings losses to the liquidity providers.

2) Low capital efficiency

AMM needs a lot of liquidity to reach the slippage level of exchange based on the order book model, and it has been criticized for this. This is because most of the liquidity in AMM is only available when the pricing curve starts to turn to the exponential curve. Therefore, due to the high slippage, rational traders will not use most of the liquidity.

AMM liquidity providers are unable to determine the price offered to counterparties, which makes some people call AMM "lazy liquidity" because of its low utilization and insufficient supply. However, market makers on order book exchanges can precisely control the price points at which they want to buy and sell tokens. This brings high capital efficiency, but at the same time requires its active participation and supervision of the supply of liquidity.

BXH's new design model is solving most of the limitations of the first generation of AMM.

1) AMM with high capital efficiency and low slippage

As we mentioned in the core business section, "BXH extends CFMM's low slippage model to volatile assets." Under this model, due to the increase in capital utilization, liquidity providers can earn more fees (although The cost of each transaction is lower), but arbitrageurs can still benefit from the re-adjustment of the fund pool.

2) Reduce the loss of impermanence

By using Chainlink oracles, BXH's AMM pool can maintain accurate exchange rate, even if the pricing of the tokens deviates due to changes in external market prices. With the oracle machine, the exchange rate is no longer determined by the arbitrageur, but the oracle machine provides price updates and adjusts the weight of AMM, so the internal exchange rate matches the external market price. The advantage of this is that arbitrageurs no longer take profits from the pockets of liquidity providers in the form of "irregular losses."

On the contrary, arbitrageurs only need to balance the distribution of tokens in the AMM pool to deal with token transactions. BXH always encourages the liquidity pool to restore balance, because the liquidity providers of the lower-weight reserve pool earn a higher return on investment until the AMM pool is adjusted to the 50/50 weight and then it returns to normal. In general, users and token teams are more confident in their deposited liquid funds, believing that they can generate profits through transaction fees and will not depreciate due to regular market price fluctuations.

2.3 Decentralization

The main advantage of BXH comes from its complete decentralization. There are two specific manifestations: a transparent transaction method and an anti-censorship use method.

In DeFi's AMM transactions, user funds are always stored in their own wallets, and transactions are achieved through the interaction of contracts, rather than the traditional recharge and withdrawal methods, which can avoid problems such as fraud and theft on centralized trading platforms.

The anti-censorship is embodied in the anti-censorship of the user's identity and the anti-censorship of the transaction pool. Users can conduct transactions without KYC, and the opening of the transaction pool does not need to be reviewed. A large number of tokens in the initial stage can be circulated by setting up the transaction pool. Therefore, users can participate in the early stage, or buy potential project tokens, and then obtain high returns.

In addition, automatic exchange through a fixed product can ensure that transactions on BXH are completed in time and have sufficient liquidity, even large transactions can be completed. Therefore, in general, the motivation for traders to use BXH comes from transparent and decentralized trading methods, high returns from early projects, and arbitrage opportunities on and off the chain.

3.1 Basic Information

When BXH goes online, it will also simultaneously list the governance token BXH of the BXH platform. BXH 100% liquidity mining is generated, and there is no pre-mining at all. Users can obtain BXH by providing liquidity of related trading pairs on the BXH platform. BXH holders will also have related rights and interests such as voting on the governance of the BXH trading platform.

Token Metrics		Quantity (million)	Release
Airdrop (0.5%)	1st-Round Airdrop	2.5	Qualified wallet addresses from MDX, Sushi, and Uniswap can get the Airdrop. 50,000 addresses in total, each address gets 50 BXH tokens.
	2nd-Round Airdrop	2.5	Qualified wallet addresses from MDX, Sushi, and Uniswap can get the Airdrop. The amount each address will get is random within the range from 10 to 50.
Liquidity Mining (82%)		8,200	1.2 million in the first mining period Reduce by 3% per week
Team (10%)		1,000	Release in 48 months after launch
Early Investors (3%)		30	Release in 24 months after launch
Market & Community (4.5%)		30	Release in 24 months after launch

3.2 Value and Equity

3.2.1 Liquidity mining

1) Holding BXH can participate in the liquidity mining of BXH. In the first cycle of mining, the daily mining output is 1.2 million, the weekly output is reduced by 3%, and the annual mining releases 225 million

2) Block generation speed is 3 seconds/block, and each block rewards 42 BXH

3) 1.2 million BXH produced every day are distributed according to the trading area, 400,000 in the mainstream currency trading area and 800,000 in the platform currency trading area

4) The weight of the BXH/USDT trading pair is double the weight of other trading pairs

5) The newly-launched currency project will provide a 30-day BXH reward quota and launch the innovative trading zone

3.2.2 AMM transaction

BXH can be used to pay a transaction fee of 0.3% per transaction.

3.2.3 BXH Staking

Users who hold BXH can pledge their BXH into the platform's fund pool to receive dividends. The platform will inject 0.1% of the platform income into the repurchase fund pool every day (BXH repurchase price is the average price of BXH in the past 72 hours) , Of which 0.05% is proportionally allocated by the smart contract to the wallets of token holders participating in staking, and 0.05% is voted and destroyed.

In fact, this "repurchase fund pool" is equivalent to the "incentive pool". In addition to acting as a market maker, it can also be used as a promotion and distribution tool for token projects. Through the incentive pool, automated market makers can distribute platform tokens to users who want to raise the tokens by means of anti-sybil attacks, and at the same time create a liquid market for the tokens. With the incentive pool, holders of BXH tokens not only make money through the secondary market, but also have a second level of income protection.

3.2 BXH DAO

3.3.1 Principle of operation

What does DAO need to run fully? First, it will operate according to a set of rules. These rules are coded as smart contracts, which are essentially a computer program that can exist automatically on the Internet, but at the same time it requires people to perform tasks that it cannot accomplish by themselves. Once the rules are established, the DAO will enter the funding phase. This is a very important part for two reasons. First of all, DAO must have certain internal attributes. Token can be used by the organization or used to reward certain activities within the organization. Secondly, by investing in DAO users can obtain voting rights and subsequently have the ability to influence the way they operate. After the financing period is over and the DAO is deployed, it becomes fully autonomous and completely independent of its creator and anyone else. They are open source, which means anyone can view their code.

In addition, all rules and financial transactions are recorded in the blockchain. This makes DAO completely transparent, unchanging and clean. Once the DAO is operational, all decisions about where and how to use its funds are made by consensus. Everyone who has bought shares in DAO can make suggestions for the future of DAO. In order to prevent the network from being flooded with proposals, it may be necessary to deposit a token first. Subsequently, stakeholders voted on the proposal. Most people need to reach a consensus on this. The percentage required to reach this majority may vary, depending on the percentage specified by the DAO in its code. In essence, DAO enables people to exchange their funds with anyone in the world. This can be done through investment, charitable donations, fundraising, borrowing, etc., without the need for

intermediaries. But a potentially major problem with the voting system is that even if a security hole is discovered in the initial code, it will not be corrected until a majority vote. When the vote took place, the hacker stated that he could exploit the error in the code.

3.3.2 Governance

BXH adopts DAO contract operations. All major decisions including but not limited to: weight parameters of liquid mining pools, fee weights, repurchase and destruction weights, halving cycles, new currency mining pools, etc. will all be initiated through the DAO community And vote on the proposal to achieve true decentralization. For example: Except for the 11 trading pairs that are simultaneously online with the platform, the trading pairs on the later online platform are all determined by BXH's DAO community governance voting.

In BXH's DAO system, the BXH platform token is used as a governance token, and the holding of tokens is the only measure of users' voting rights and weight. Among them, the BXH held by the user is counted as 1 vote, and the BXH pledged by the user is counted as 2 votes, and the BXH that is repurchased/pledged after the voting starts is not counted in the voting result.

BXH DAO solves all the wrong problems in the operation of modern organizations and the low degree of decentralization of the trading platform. The complete BXH DAO provides every token holder with an opportunity to shape the organization. There is no hierarchical structure, which means that everyone can propose every innovative idea and be considered by the entire organization. A set of pre-established rules and voting system that every coin holder knows before joining

the organization will not create any room for dispute. In addition, since making suggestions and voting all require investors to spend a certain amount of tokens, this prompts them to evaluate their decisions instead of wasting time on ineffective solutions.

Future Planning

BXH is a highly innovative DeFi project that combines the advantages of the current DEX on the market and combines the characteristics of the centralized exchange platform currency. Based on the rapid development and ecological prosperity of the Huobi ecological chain, it has great Imagine space and growth space.

The design and implementation of the BXH project are also continuously improving, including how to attract more external assets, innovating more DeFi business models, etc. are the directions we are studying. All community members are welcome to actively participate in and continuously optimize the BXH project.

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Build Sustainable Economic Models Accelerate Long-term Value Growth

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