

## Paper1 (Basics)

### TVL (TOTAL VALUE LOCKED)

TVL or Total value locked represents the number of assets or the value of user-provided Liquidity that are currently being staked in a specific protocol: this value is not meant to represent the number of outstanding loans, but rather the total amount of underlying supply that is being secured by a specific DeFi protocol/platform completely. One of the core branches in cryptocurrency is DeFi (Decentralized Finance), where people can earn better rates of interest on their holdings than through traditional centralized means like savings accounts through a bank, or bonds, and still not have the safety of their holdings dictated by the safety of a single centralized server. You can liken TVL to fixed deposit or savings accounts in centralized banks or buying bonds in hope for a promised value, but in this context, in a decentralized platform.

### HOW TO INCREASE TVL

For the opening of this research, think of Sovryn as a Global business or a centralized company and not a Decentralized Finance protocol and let's discuss business for the first few minutes, how would a company increase her assets, Investments or capital at her disposal? We would discuss this and try to relate it down to Sovryn, the decentralized bitcoin-based protocol we know.

There are a couple of things a company can do to increase the capital at her disposal;

One of them would be to increase the cost of their product or services, if of course they are convinced their services are standard, that's really basic, but it works. Something about consumer psychology says that they are always willing to pay more to get what they really believe is worth it. This is inline with the PwC's 2018 research, which indicated that customers were willing to pay up to 16% more for top-notch service. So how can Sovryn adopt this mechanism to increase her TVL? Asides from an increment in transaction fees, This can be done in three of many ways;

#### *1) An Increment in the value of the SOV token*

Though not completely under the control of the Sovryn Team but Yes, the Sovryn team can influence to a large extent the value of the SOV token. It is no news that the value of a cryptocurrency asset is largely dependent on 3 major factors: the scale of community involvement, like the user demand, Scarcity of the Coin and the Coin's utility;

**i) Scaling the Sovryn Community:** one of many ways to grow the sovryn community will be engaging on crypto enlightenment campaigns. With the global statistics of crypto users at 300 million worldwide, that leaves the global adoption of crypto at 3.9%. that goes to say that there's still millions and billions of potential users out there to be harvested. The idea is for SOV to carryout enlightenment campaigns in a bid to get new users to understand and adopt blockchain and blockchain technology, and every new adopter will in turn start off with Sovryn as his/her choice DEX for transactions and SOV token as their first acquisition.

Asides from the enlightenment campaign on crypto and blockchain in general, massive publicity about the Sovryn protocol and why they should choose the protocol over other DEXs (will discuss a strategy for this in a later section of this paper).

Over the years, marketing regular products might have proven to be different from marketing cryptos but 3 methods have proven to be very effective in marketing Crypto tokens and ICOs;

The first would be more effective use of social media; neglecting the social media space would be a big mistake for someone looking to be heard, why? Because more than half the world belong to one social media platform or the other. Crypto aside, take products and services for instance; statistics from the research conducted by Oberlo shows that 71% of users who have a good experience with a brand on their social media are likely to recommend that brand to their friends and family. 4% of millennials, 77.5% of Generation X and 48.2% of baby boomers are enthusiastic social media users. Platforms like Facebook, Twitter and Reddit helped launch bitcoin into the mainstream and they can do same for Sovryn if a good strategy is employed to sell her (Sovryn) to the world.

In addition, using a crypto Ad network would help the community expansion of Sovryn as well because it's apt/direct. Your Ads get seen by people who are actually looking for it, crypto users, adopters, enthusiasts and potential investors. They are usually more likely to take action upon seeing the ad because their minds are already either enlightened or seek enlightenment. But before sailing with a particular crypto ad agency, proper research needs to be done to find out what will work for the protocol as different platforms have their uniqueness. In that wise, what worked for one may not work for the other.

Lastly, a strong PR team would be paramount to shape the public image of the brand, hold press conferences and give the brand just the looks it needs, with these 3 media for growth actively checked, the Sovryn Community Growth is guaranteed by more than 150% by the first quarter, Q1 of 2022. When this is achieved, the value of the SOV token is positively affected and in turn an increased Total Value Locked.

**ii) Utility and Scarcity of the SOV token:** in the crypto industry, the value of an asset is nearly synonymous to its use and how rare it is, in other words, how Scarce it is. Let's not complicate things with ambiguous words, but let's bring real life instances to this; if a man (a comfortable, working class male) walks into the mall, picks toilet paper, walks to the counter to make payment and is told he's to pay \$150,000 for that single roll of toilet paper, chances are, he'll assume the cashier is high on drugs and doesn't know what he/she is saying, but that same man wouldn't mind paying \$200,000 for a super car like a mustang or a Bentley. In the above scenario, two factors influence this man's choices and value system; Utility and Scarcity, he could walk out the mall and get toilet papers somewhere else for 10 cents so why pay a 150 grand for it and he also knows that there's probably a billion toilet papers in a billion other stores so he won't fall for that. In the crypto industry, it is insanity to expect an asset with a total supply of 100 trillion to hit a dollar, or 0.1 dollar. The global crypto and blockchain industry even before the dip had a market cap below \$2T, one asset with a total supply of a 100T hitting \$1 would give it a market cap of \$100T which would be an anomaly. This is the simple reason the scarcer a crypto asset is, the higher its value. Therefore, burning a percentage of the token would have a positive influence on the asset, and in turn the TVL of the protocol. While that is on, aggressive enlightenment to establish firmly the utility of a coin/crypto asset is what will guarantee a lasting influence in the crypto industry, not primary focus placed on increment in price.

## *2) Influence the number of transactions per user:*

Another thing a company could do to increase her total value locked is to influence an increase in the number of transactions per user; finding ways to motivate users to transact more would be great for the TVL of the Sovryn Protocol. Users remain in control of their resources and crypto assets on any protocol, but the protocol or exchange can always devise initiatives to get users to keep clicking. All that needs to be done is to think of an incentive that'll be satisfying to the user. A reward system can be created for users with increased frequency in transaction, for instance; putting out word that for every X transaction a user makes, his/her transaction fee for the next Y transaction would be at a Z% discount, or that for every X transaction a user makes, that he or she would be rewarded with Y or Z (could be an NFT or anything) or for every X transaction a user makes, the rest of his/her transactions for the day would be chargeless or will be charged with 0 transaction fee; would make users more enthusiastic about their consistency in transacting with the same platform continuously. It may not work for every user, but the few users who will key into it and are consistent in their transactions can and will boost the TVL of the Sovryn protocol. The 80/20 rule also applies in the DEX environment (80% of outcome brought about by 20% of users), so the number of users to key into these innovations should not be taken for granted because one man's commitment can save a whole nation of future turmoil.

### *3) Increasing the minimum Staking amount of the protocol:*

we'll touch an essential key in having a community enthusiastic about Staking in a protocol they didn't just find themselves in by chance, they also believe in the protocol, in the staking section of this paper. However, when value is established, and results are clear, a solid protocol like the sovryn protocol can increase their minimum staking amount and users would gladly oblige.

*The most Effective Key to Increasing TVL is to Increase the number users and participation (in turn the TVL of the Sovryn Protocol)*

*Moving Forward we'll Discuss more Practical Ways of Increasing user participation of the Sovryn Protocol.*

### *4) Wide range of Fiat integration*

For first time traders or new adopters of crypto and blockchain who do not only not possess any base crypto asset (like Bitcoin and etheruem), or stable coins (like the USDT, TUS and others), the ability to make their first set of purchase with their local currency, or a widely accepted Fiat would be a relieve for them in any protocol they find the feature. Not just because of ease but because they may not know what crypto assets to start with, but the fiat integration gives them an avenue of comfort to still invest in a protocol

### *5) P2P Integration*

is also one of the leading influencers of the worldwide adoption of crypto. P2P crypto exchanges allow users to buy or sell directly with another user. in Africa alone despite clampdown on the usage of cryptocurrency, the p2p users on Binance alone increased by over 2000%, platforms like Paxful and LocalBitcoins are also mostly relevant because of their p2p features. It is something that users love because it makes for ease in transaction, provides safety of assets in form of escrow, and guarantees your assets are released when you have gotten compensation for it.

A wise protocol would gladly integrate p2p because it keeps users engaged within the platform since p2p is mostly executed between users within the same platform. What this means for a platform is that users who have family and friends they might need to transact with from time to time might get those loved ones involved in the said platform, because of the p2p feature, and in this case, Sovryn would be that protocol.

## *6) better presentation of the protocol*

Effective branding of the protocol will also increase the usership of the protocol. The marketing team of the sovryn protocol should also strive to not just present the wonderful features of the protocol to her users and potential users but also make them understand how those features benefits or serves them, the users. The average user of any product is selfish, it's the first nature of man, that goes to say that users don't buy a product because it's good but because it's good for them, and they don't patronize sellers because the sellers are good but because the goodness of the seller has a direct impact on them one way or the other. Relating it to Sovryn and the crypto industry, a user will most likely not board the Sovryn ship and provide liquidity to the protocol because of the wonderful new innovations but because they are able to see how those wonderful new innovations serve them directly

## *7) Bridge between the Ethereum and Bitcoin blockchain*

A bridge between the two chains would increase the scale of options users would have in trading and exchanging of tokens by more than 100%, giving them the liberty of doing more, having more and being more, all in one interface, the Sovryn protocol. The Sovryn protocol could shoot for a multichain DEX later but this bridge with the Ethereum blockchain is a good start to make millions of users, who are involved directly or indirectly with one of the top blockchains in the world feel included in what the sovryn protocol is all about. Also, with the Ethereum 2.0 in view and Ethereum being the second largest blockchain in the world with thousands of other cryptocurrencies operating as ERC-20 Tokens and hundreds of DeFi platforms with Ethereum as their base chain, Sovryn will not just attract many more users to herself but these users will no longer have the fear of outrageous gas fees which has been the major conflict of interest in the use of Ethereum and its base tokens, by doing this, Sovryn will be able to expand her reach while retaining her current base in the industry.

Paper2

## STAKING

A comparism was conducted on two proof of stake platforms, EOS and Tezos, EOS Being a governance only staking token and Tezos, a staking token which provides an inflationary reward for participation in the network, the outcome of the comparism without mixing words showed that holders prioritize getting paid as Tezos participation is more than 2X that of EOS.

Tezos's liquid proof-of-stake is designed to directly reward stakers. The protocol natively supports delegation and the annual yields to staking participants are a generous 7.75% annually.

The data reveals a clear winner: over 80% of Tezos participates in securing and governing the network whereas EOS struggles to reach 30% participation. While paying inflationary rewards for participation clearly increases the staking rate, there is an argument that it produces low quality stakers.

The EOS pitch is that enlightened voters are of higher quality even though that theory have not exactly played out really well in reality, that argument can be countered by the sovryn protocol by engaging in or staging programs or campaigns that seek to enlighten stakers, making them understand staking beyond the possible rewards they could be getting. That way, Sovryn achieves two goals even while growing her TVL; stakers are enlightened and participation of users in staking in the protocol is massive. Who says you can't have enlightened voters and high participation at the same time.

Enlightened governance is tricky if voters are apathetic and unengaged. Several large holders of EOS have said that voting simply doesn't justify the security risks of moving their keys from cold storage.

The main takeaway from the above to network designers would be to create an economic incentive for participation in staking. Crypto utopia sounds grand, but the reality is not turning out quite as planned.

Paper3

## **IDEAS AND RECOMMENDATIONS**

### ***Market Making Suit***

The sovryn protocol could consider adding a market making suit to her portfolio, this will enable her gain temporal monopoly of some DeFi token in the early stage of their launch. This will make for increased participation in the protocol because every member of the new asset launched would have to trade or transact in the sovryn protocol, thereby giving her (Sovryn) a temporal monopoly of the token's market and community's transaction. In a case where Sovryn does not have the monopoly of transactions for that asset, as a newly listed token, Sovryn also becomes one of the only few options to transact that asset. Users who engage Sovryn for that purpose may end up engaging other services if it is sold properly to them.

### ***Focusing on establishing value of the Token***

not establishing the value of the token and not making it resound in the mind of users and focusing on solely the financial gains and rewards will sell the protocol short on the long run. It might get the Charles Ponzi seal of approval if its sole purpose is to appreciate in price, but it won't be sustainable for long. Understanding what the token is used for is figuring out its true value, so Sovryn should focus more on establishing the TRUE value of her token in the mind of users while making it clear the prize of the token is meant for the moon.

### ***Private server for private keys***

The average DEX generates private keys for users upon account creation, losing the keys would mean losing the account and storing on centralized servers like the google drive do not guarantee the safety of the Key. Unlike the centralized exchanges where users accounts can be retrieved if their human part gets the best of them and they lose their key.

I recommend that Sovryn create a miniature private server for each user upon creation of their account and offer them an option to backup private key on their mini server, that way their accounts can be recovered for them on the long run and their assets do not vanish because they are human.

This will also handle that advantage of account recovery centralized exchanges have over the decentralized ones on the Sovryn platform, giving her users more confidence and trust to store value on the protocol.



*Central Server  
(Vulnerable)*



*Recommended Sovryn  
Private Key Server  
(Decentralized)*

## *Strike a balance between benefits and features of the protocol*

There are 105,000 blockchain developers in the world and According to a survey, published in May by UK-based bank HSBC, 59% of crypto consumers polled said they had never heard of blockchain Technology. Furthermore, 80% of those who have heard of the tech said they don't understand what it is. That goes to say that majority of crypto users today are in it for the benefit because they are the more enlightened.

If as a football fan I come to your bar to watch an important football match while sipping on a bottle of drink and your channel is locked on Al Jazeera, chances are I'll leave and go to where my primary cravings will be satisfied, that is to say, a potential user who seeks for gains and is constantly bombarded with functionality of the protocol and not how they will benefit will most likely not get involved and potentially miss out on all the good things the protocol has to offer. So yes, put the benefits before them but also make sure they are enlightened, by showing them how the mechanism behind their rewards function, only then will they truly appreciate the true value of the protocol and blockchain technology in general



# Sources

*Behavioral Finance: The Psychology of Investing Research by Professor Dr. Thorsten Hens and MSc. BA Anna Meier from Behavioral Finance Solutions GmbH*

*The Psychology of Investing by John R. Nofsinger*

<https://paybis.com/blog/how-many-blockchain-developers-are-there/>

<https://www.coindesk.com/whats-blockchain-hsbc-survey-finds-59-consumers-dont-know/>

<https://blog.chainalysis.com/reports/2020-global-cryptocurrency-adoption-index-2020/>

<https://www.investopedia.com/terms/1/80-20-rule.asp/>

<https://techpoint.africa/2021/05/17/binance-users-grow/>

<https://en.wikipedia.org/wiki/Ethereum>

<https://coinmarketcap.com/rankings/exchanges/dex/>

<http://www.smartcustomerservice.com/Articles/News-Features/Customers-Are-Willing-to-Pay-More-for-Good-Customer-Service-130039.aspx>

<https://techbullion.com/3-best-ways-to-promote-your-crypto-project/>

<https://triple-a.io/crypto-ownership/>

