7. Liquidity Mining

Since Compound launched the liquidity mining of its governance token COMP on June 15, 2020, in less than a month, liquidity mining has gradually become one of the main ways for the cryptocurrency industry to obtain liquidity.

At present, the liquidity mining of DeFi is mainly a product that occurs on the Ethereum blockchain. It gains revenue by providing liquidity for DeFi products on the Ethereum. To put it simply, you can deposit certain token assets to mine. The reason why it is called mining is to follow the industry argument of Bitcoin mining. Liquidity mining on Compound mainly involves depositing tokens or lending tokens on it, so as to obtain rewards of COMP governance tokens. The COMP token represents the governance right of the Compound protocol. COMP holders can vote to determine the development direction of the Compound protocol. If the Compound business has value, then COMP has natural governance value.

Compared with the previous business model of centralized exchange mining, the liquidity mining includes three advantages:

• Safe and reliable

Compared with previous centralized exchanges, everyone's cryptocurrency assets are stored in the offline wallet of the centralized exchange. It is equivalent to placing trust on the brand of the exchange. Once the exchange runs off or other security issues occur, users' digital assets will be affected. And the current liquidity mining mechanism is equivalent to the original transaction

mining mechanism through contracts. Thereby ensuring the safety of digital assets.

- Clear rules

Compared with the previous centralized exchanges that mainly engaged in transaction mining, the advantage of liquidity mining is that its rules are rule by code. Therefore, the rules of liquidity mining cannot be easily tampered with, because each liquidity mining generation The distribution mechanism of coins is written on the smart contract. The immutability of the contract makes the mining mechanism transparent and the distribution method clear. Treat everyone equally.

•• Transaction transparency

The method of liquidity mining can avoid the risks of additional issuance, spam, and runaway closure of centralized exchanges. Because the transaction tokens obtained by liquidity mining can be clearly queried through the Ethereum browser. Taking the latest liquidity mining project UNI Token as an example, every UNI transfer and transaction can be easily queried on the block explorer. Therefore, the interests of investors are guaranteed.

CEP will also adopt liquidity mining to encourage users to join. Users can provide liquidity for CEP by issuing or purchasing ETFs, thereby participating in liquidity mining and obtaining governance token CEP. CEP will be released according to certain rules. The principle is that the more liquidity provided, the more CEP obtained, and the faster the overall CEP will be released.

In addition to issuing or purchasing ETFs, users can also redeem ETFs to obtain a cryptocurrency portfolio corresponding to the number of ETF redemptions.

The issuance and redemption of various ETFs in CEP, like the issuance and redemption of traditional stock ETFs, is circulated and bidirectional.