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A comprehensive guide to DegenX

Liquidity backing

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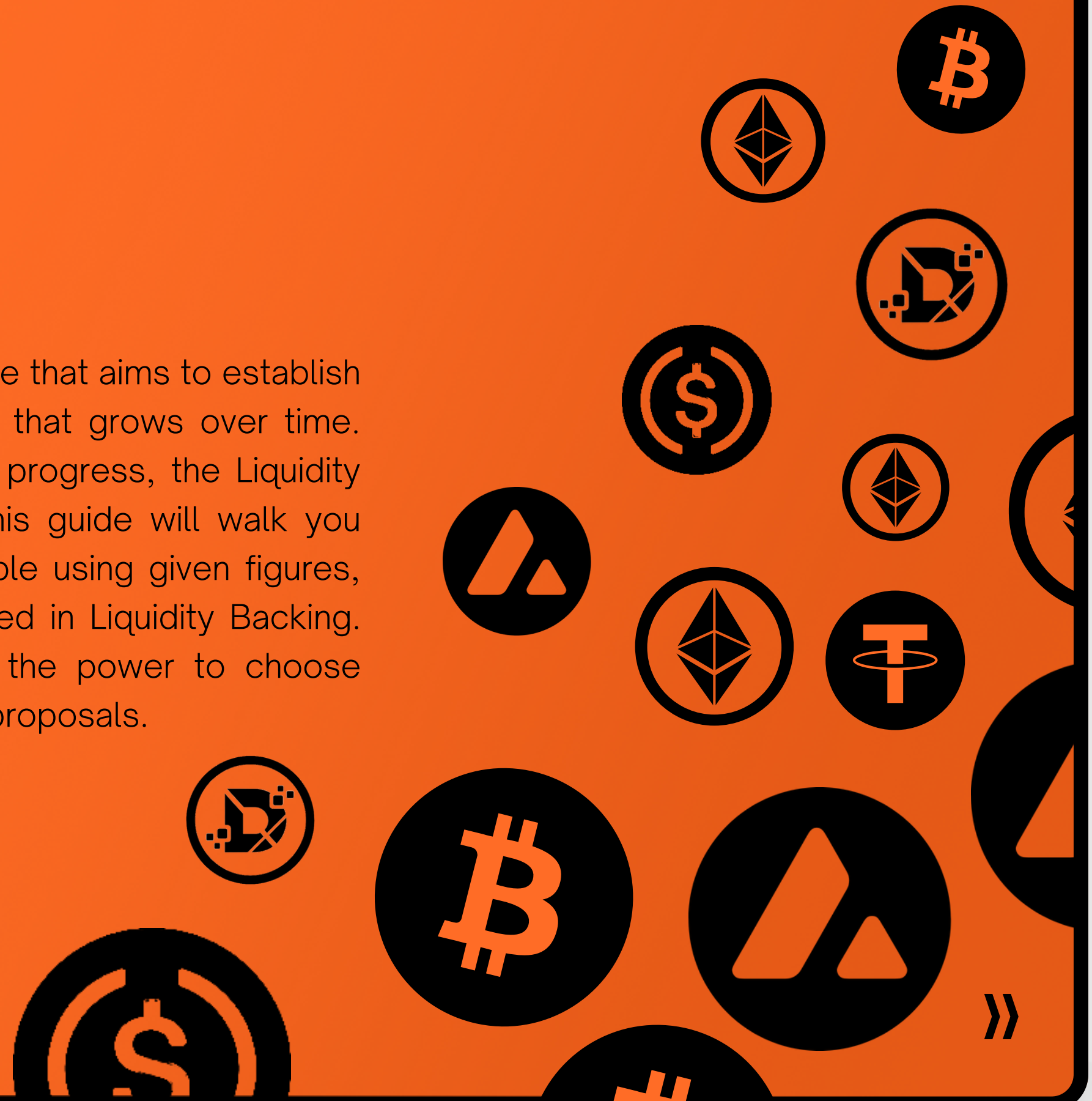
Marketing lead



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Introduction.

DegenX (\$DGNX) is set to introduce a unique Liquidity Backing feature that aims to establish an intrinsic value for the token, creating a separate backed value that grows over time. Although the full release of the Liquidity Backing feature is still in progress, the Liquidity Backing pool is already collecting funds from the \$DGNX tax. This guide will walk you through the concept of Liquidity Backing, provide a working example using given figures, and explore the impact of an increase in the value of assets stored in Liquidity Backing. Additionally, we'll explain how the DGNX holder community has the power to choose backing assets and change the token's taxes through on-chain DAO proposals.



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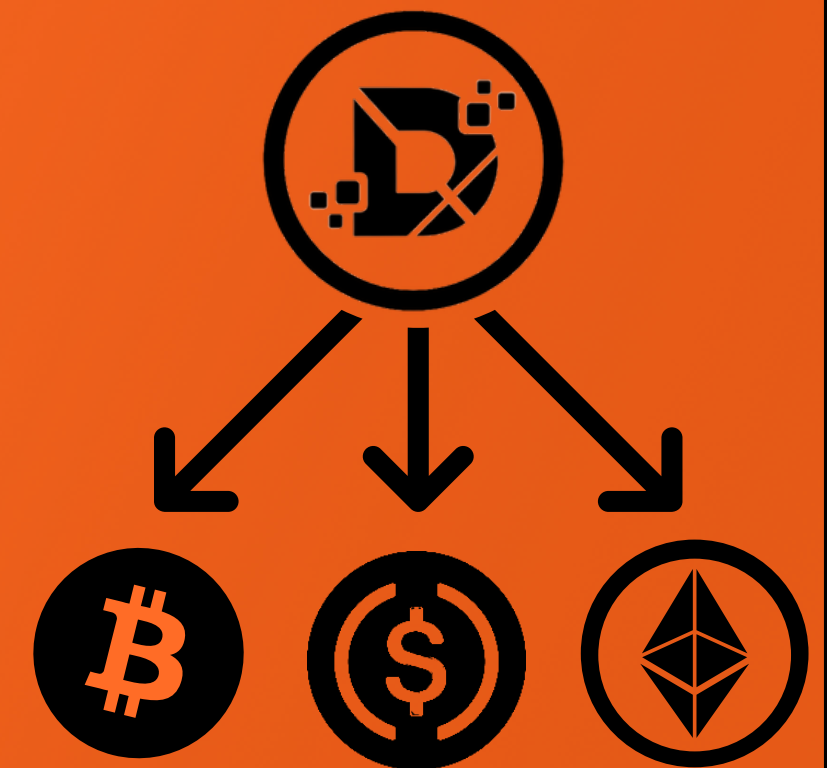
Liquidity Backing Overview.

What is Liquidity backing?

Liquidity Backing is a feature implemented through a customized contract that allows for the accumulation of specific backing assets, such as BTC.b. This feature ensures that the value of \$DGNX is backed by these assets, giving it an ever-increasing minimum value.

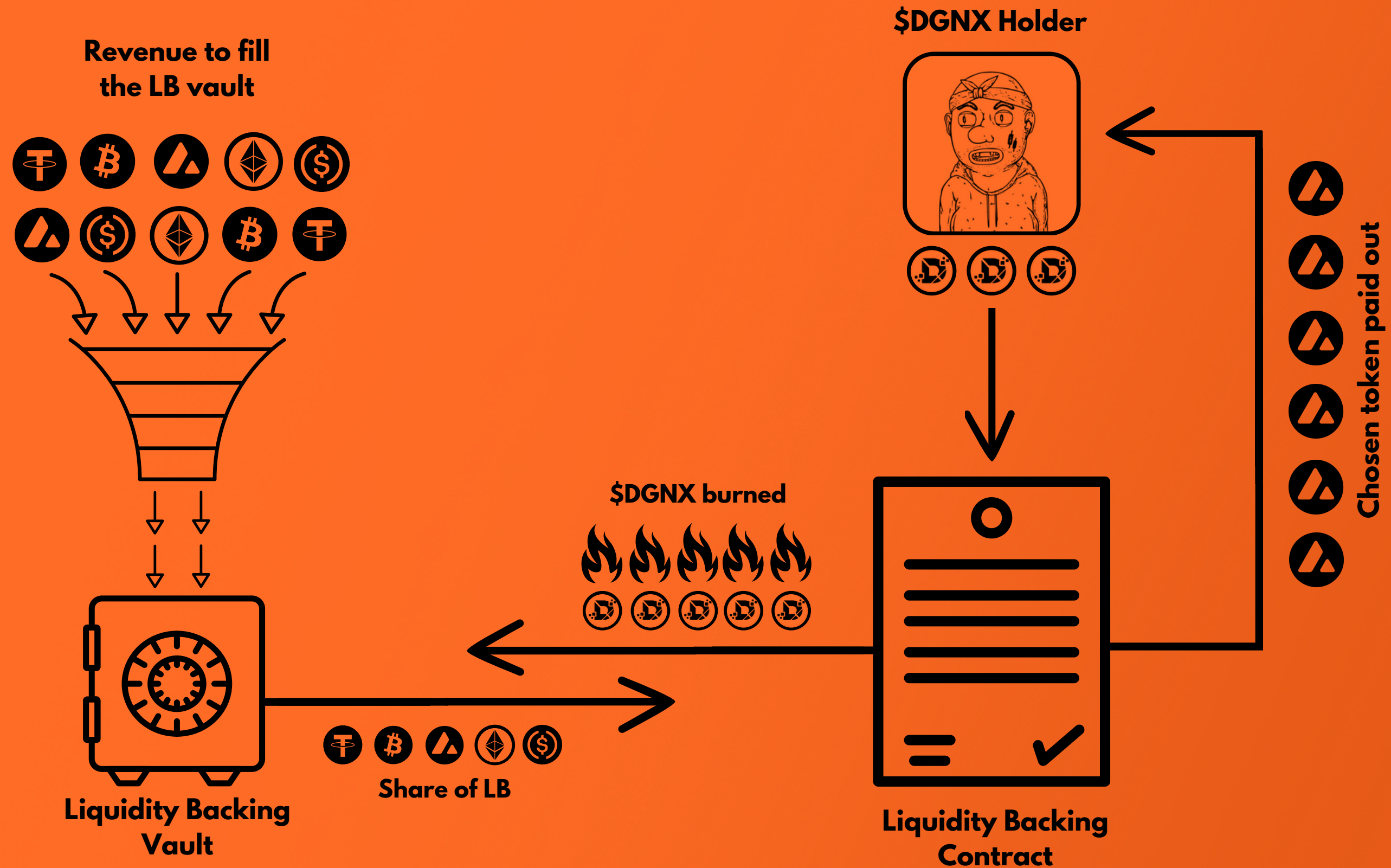
How does Liquidity Backing work?

For each buy and sell transaction of \$DGNX, 4% of the transaction value is sent to the liquidity backing pool. Additionally, liquidity backing pools will receive funding from a variety of other sources in future utilities. This ensures that the pool grows steadily over time. When you burn your \$DGNX tokens using the provided function (once the full feature is released), your portion of the liquidity backing pool will be unlocked and transferred to you as per your request. This action does not affect the backing of other \$DGNX holders; however, it enables them to grow their share of the backing pool more quickly as their percentage allocation of the supply increases.



Liquidity Backing process.

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Choosing backing assets and taxes.

The assets used for backing \$DGNX are chosen by the token holder community through on-chain DAO proposals. This ensures that the decision-making process is transparent, decentralized, and community-driven. Similarly, the token's taxes, currently set at 4%, can be changed only through on-chain voting by the DAO.



Worked Example.

1. Example

Let's take a look at a working example using the provided static figures:

DGNX value: \$0.32 USD

BTC.b value: \$28,000 USD

WETH.e value: \$1,800 USD

USDC.e value: \$1.00 USD

Total supply of \$DGNX: 21,000,000

Liquidity Backing pool: 50 BTC.b, 500 WETH.e, and 2,500,000 USDC.e

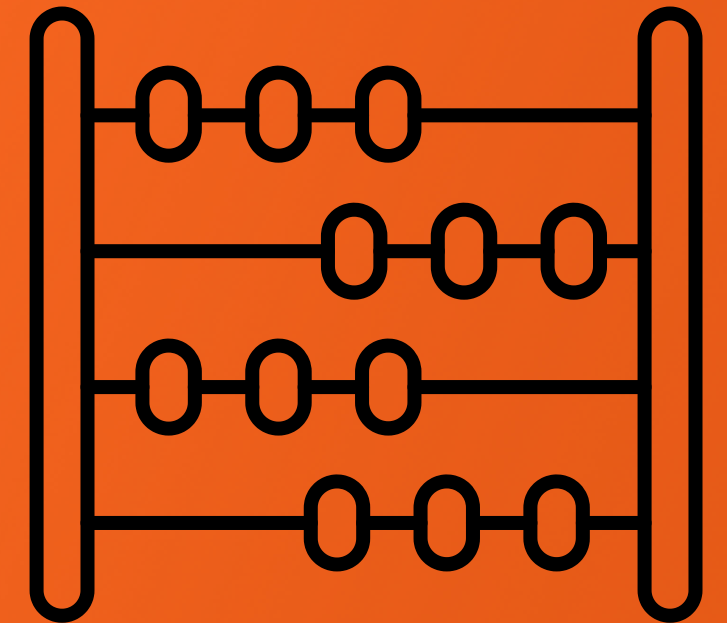
Assuming you hold 21,000 DGNX tokens, to calculate the value of your DGNX tokens based on the current market price:

Value = Number of DGNX tokens * DGNX value

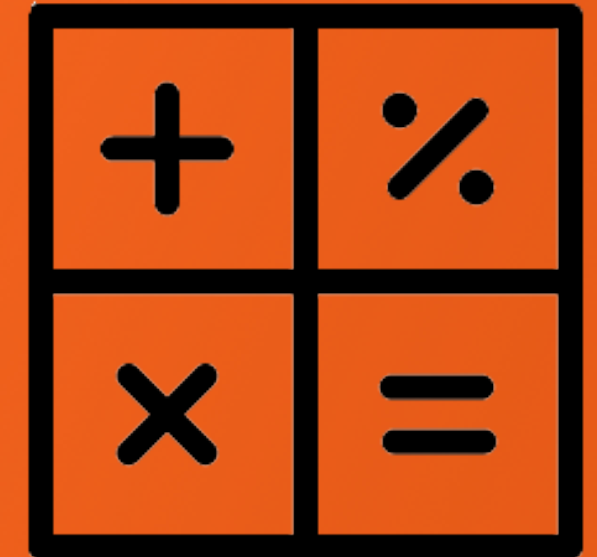
Value = 21,000 * \$0.32

Value = \$6,720

Cont...



Worked Example.



Now, let's consider the Liquidity Backing pool. Given that 4% of every buy and sell transaction contributes to the pool, you can calculate your share of the pool based on the percentage of DGNX tokens you hold:

Your share of the pool = (Your DGNX tokens / Total supply of DGNX) * Liquidity Backing pool value

Your share of the pool = $(21,000 / 21,000,000) * ((50 * \$28,000) + (500 * \$1,800) + (2,500,000 * \$1.00))$

Your share of the pool = $0.001 * (\$1,400,000 + \$900,000 + \$2,500,000)$

Your share of the pool = \$4,800

In this example, your DGNX tokens have a market value of \$6,720 and a Liquidity Backing value of \$4,800. This means that the minimum value of your tokens is \$4,800.



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Worked Example.

(INCREASE IN BACKING ASSET VALUE)

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Let's assume that the value of BTC.b, WETH.e, and USDC.e, which are the backing assets in our example, increases. We'll use the same figures as before and introduce new values:

DGNX value: \$0.32 USD

BTC.b value: \$80,000 USD

WETH.e value: \$6,000 USD

USDC.e value: \$1.00 USD

Total supply of DGNX: 21,000,000

Liquidity Backing pool: 50 BTC.b, 500 WETH.e, and 2,500,000 USDC.e

Cont...





Worked Example.

(INCREASE IN BACKING ASSET VALUE)

You still hold 21,000 DGNX tokens. To calculate the new value of your share in the Liquidity Backing pool based on the increased asset values:

Your share of the pool = (Your \$DGNX tokens / Total supply of DGNX) * Liquidity Backing pool value

Your share of the pool = $(21,000 / 21,000,000) * ((50 * \$80,000) + (500 * \$6,000) + (2,500,000 * \$1.00))$

Your share of the pool = $0.001 * (\$4,000,000 + \$3,000,000 + \$2,500,000)$

Your share of the pool = \$9,500

With the increase in asset values, your share in the Liquidity Backing pool has risen from \$4,800 to \$9,500. This means that the minimum value of your 21,000 DGNX tokens has increased from \$4,800 to \$9,500, reflecting the appreciation of the backing assets. If the market value of your 21,000 DGNX is \$6720 at 0.32 USD per \$DGNX, then you now have the potential for arbitrage opportunities between the market price and the Liquidity Backing value.



Arbitrage opportunities.

Def. "arbitrage"

Arbitrage is the strategy of taking advantage of price differences in different markets for the same asset. For it to take place, there must be a situation of at least two equivalent assets with differing prices.

Arbitrage with Liquidity Backing.

Liquidity Backing paves the way for potential arbitrage opportunities between the market price and the Liquidity Backing value of \$DGNX in the future. If the price of the backing exceeds the value of the \$DGNX that you hold, then there will be the opportunity to burn your \$DGNX for your share of the backing.



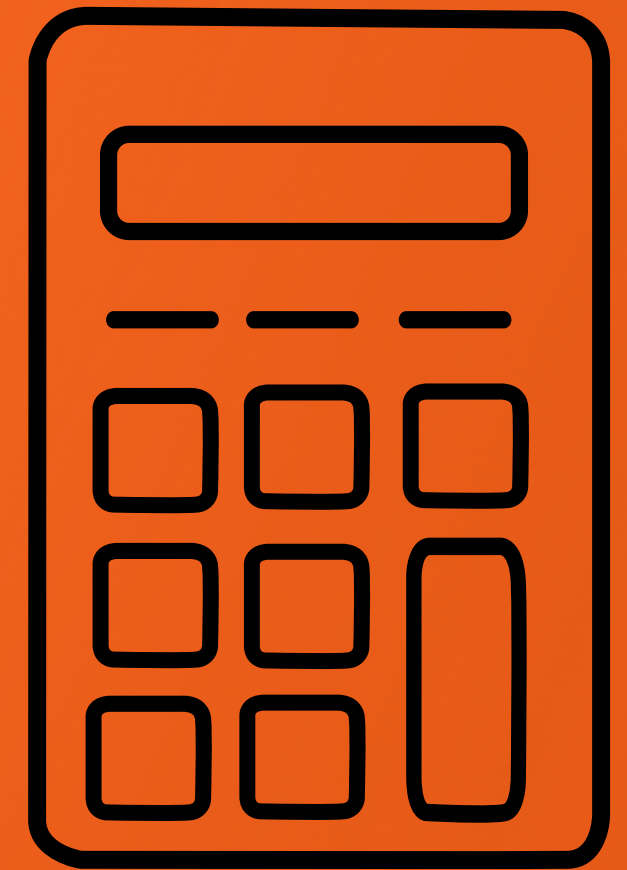
Calculating required volume.

Now, let's determine how much volume of buy and sell transactions would be required to reach a backing value of \$0.32 USD per \$DGNX, excluding theoretical amounts from sources outside of taxes.

Let the required total value of buys and sells be represented by V. From every buy and sell transaction, 4% will contribute to the liquidity backing pool:

Liquidity Backing pool value = $0.04 * V$ To reach a backing value of \$0.32 per \$DGNX,
we need: $(0.04 * V) / \text{Total supply of \$DGNX} = \$0.32$
 $0.04 * V = \$0.32 * 21,000,000$
 $V = (\$0.32 * 21,000,000) / 0.04$
 $V = \$168,000,000$
\$DGNX value: \$0.32 USD
New Bitcoin value: \$35,000 USD
Total supply of \$DGNX: 21,000,000
Liquidity Backing pool: 10 BTC.b

Thus, a total volume of \$168,000,000 in buy and sell transactions would be required to reach a backing value of \$0.32 USD per \$DGNX.

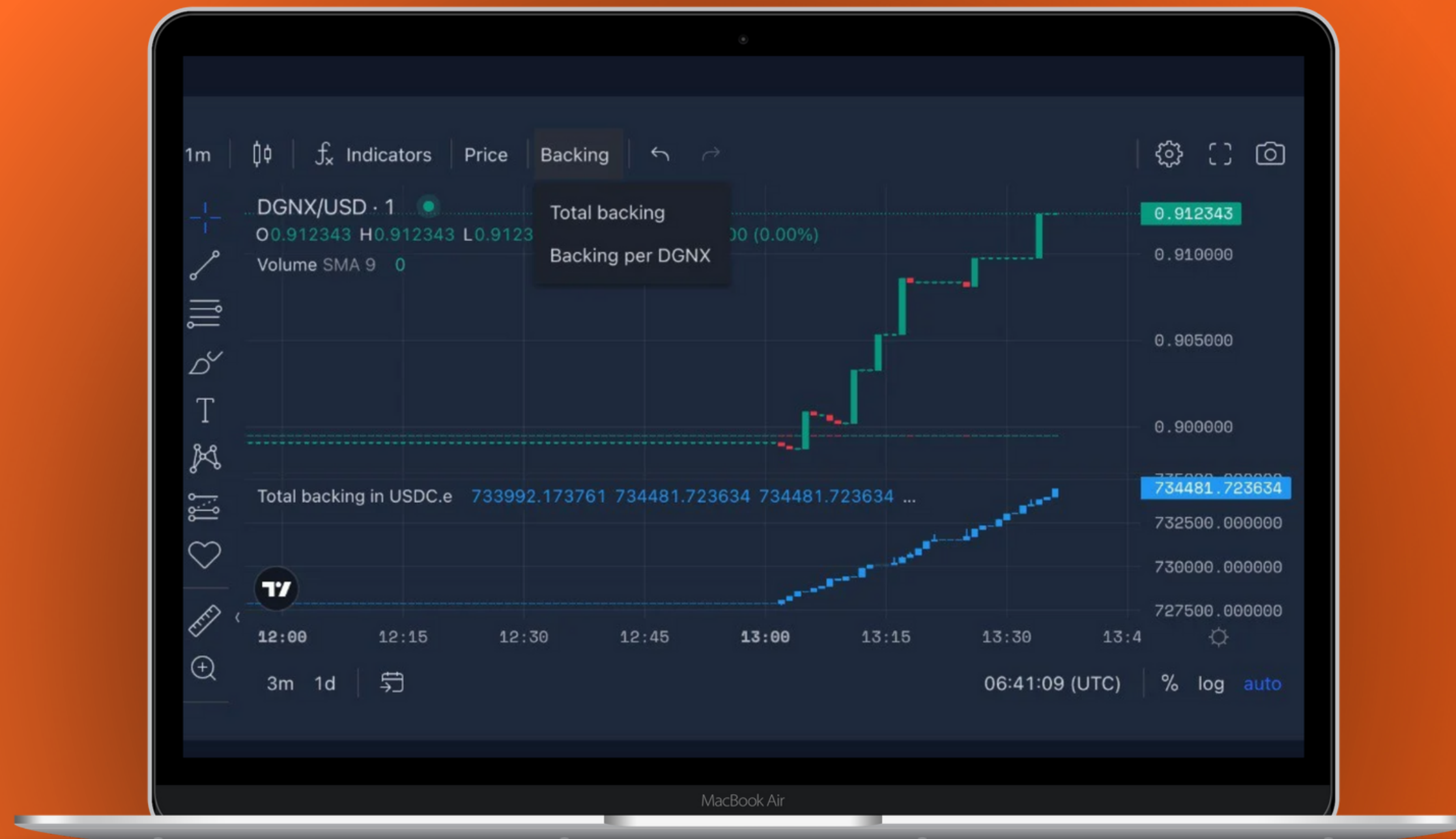


Conclusion



In conclusion, DegenX's Liquidity Backing feature, once fully released, will add an additional layer of value and security to the \$DGNX token, ensuring an ever increasing minimum value and creating potential arbitrage opportunities for investors. The Liquidity Backing pool is already collecting funds from the \$DGNX tax, and the DGNX holder community has control over the choice of backing assets and the token's taxes through on-chain DAO proposals, making the system transparent and decentralized

Accessible through the DGNX Dapp soon...





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