Handbook for Listing a New Token and Ensuring Liquidity

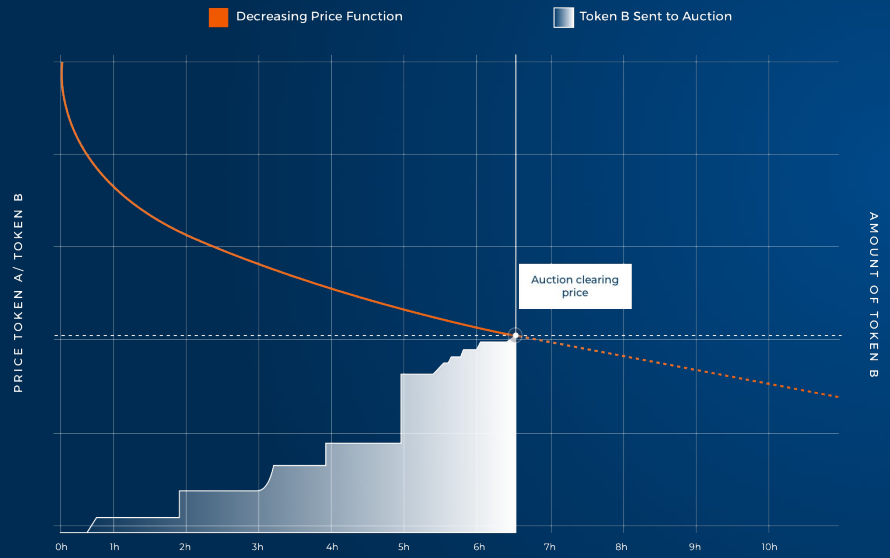
Content of this documentation

Purpose of this documentation

- This documentation is designed to provide an overview of the features and vision of the DutchX, demonstrate how to list a token on it and how liquidity is ensured
- The current process of listing tokens on exchanges or trading platforms is cumbersome and expensive. Moreover, front running and manipulation may lead to unfair prices
- DutchX facilitates new token projects through easy access to tradability and liquidity
- The DutchX aims to act as a decentralized trading protocol for the entire blockchain ecosystem

Introduction of the DutchX

DutchX is an open and decentralized trading protocol for ERC20 tokens using the Dutch auction mechanism to determine a fair value for tokens.



You can find all necessary additional information about the following topics here:

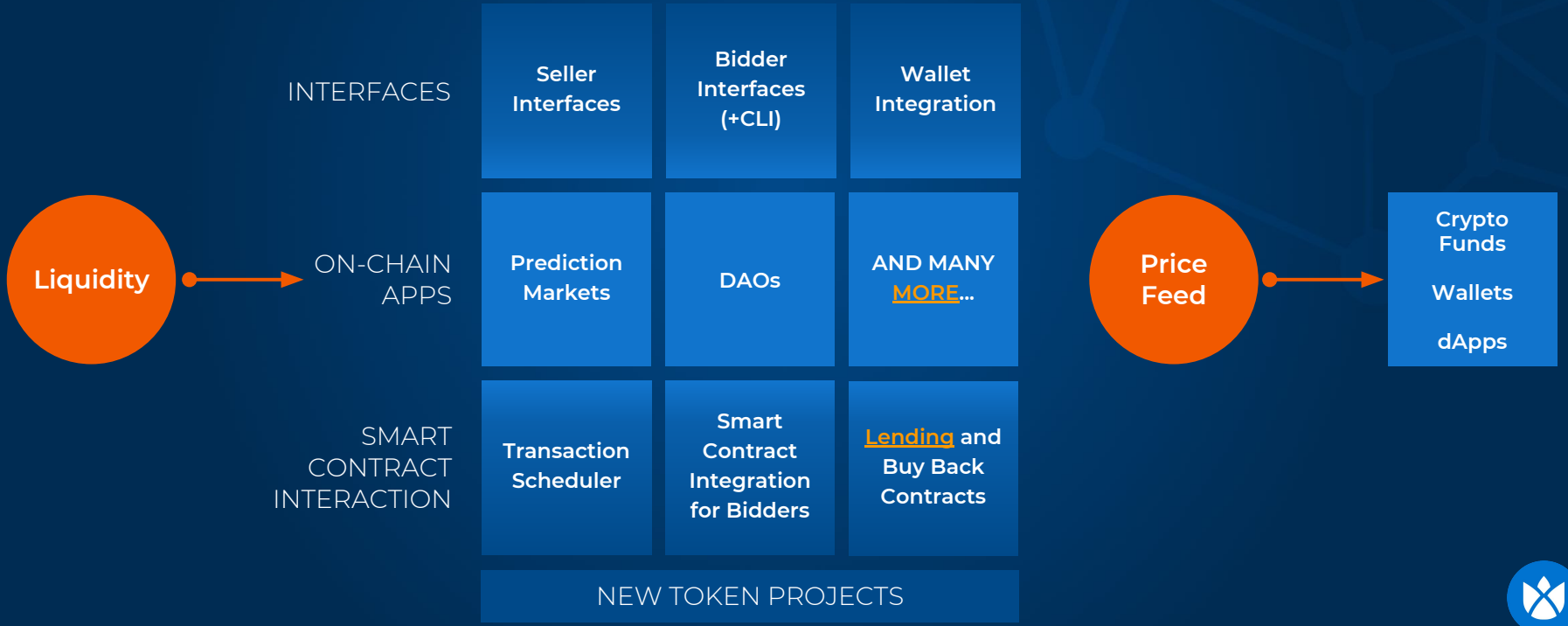
- An Introduction
- Mechanism Design
- All about the Various Tokens
- Fee Model and Magnolia
- User Groups
- The Platform Use

Unique features of the DutchX

- Enables decentralized listing to the smart contract layer for new token projects
- Reduces reliance on centralized exchanges; the DutchX is non-custodial in nature
- Open: Incentivises building on top of a permissionless protocol, low barriers to entry and set and unbiased rules to be enforced by a DAO (decentralized autonomous organisation)
- A fair price finding mechanism and a redistribution of paid fees to the users of the DutchX
- Fully on-chain: smart contracts can interact directly because there is no need for off-chain receipt/signing of a transaction
- The first fully decentralized token trading protocol – soon to be truly decentrally run and governed by a DAO

DutchX - an open protocol

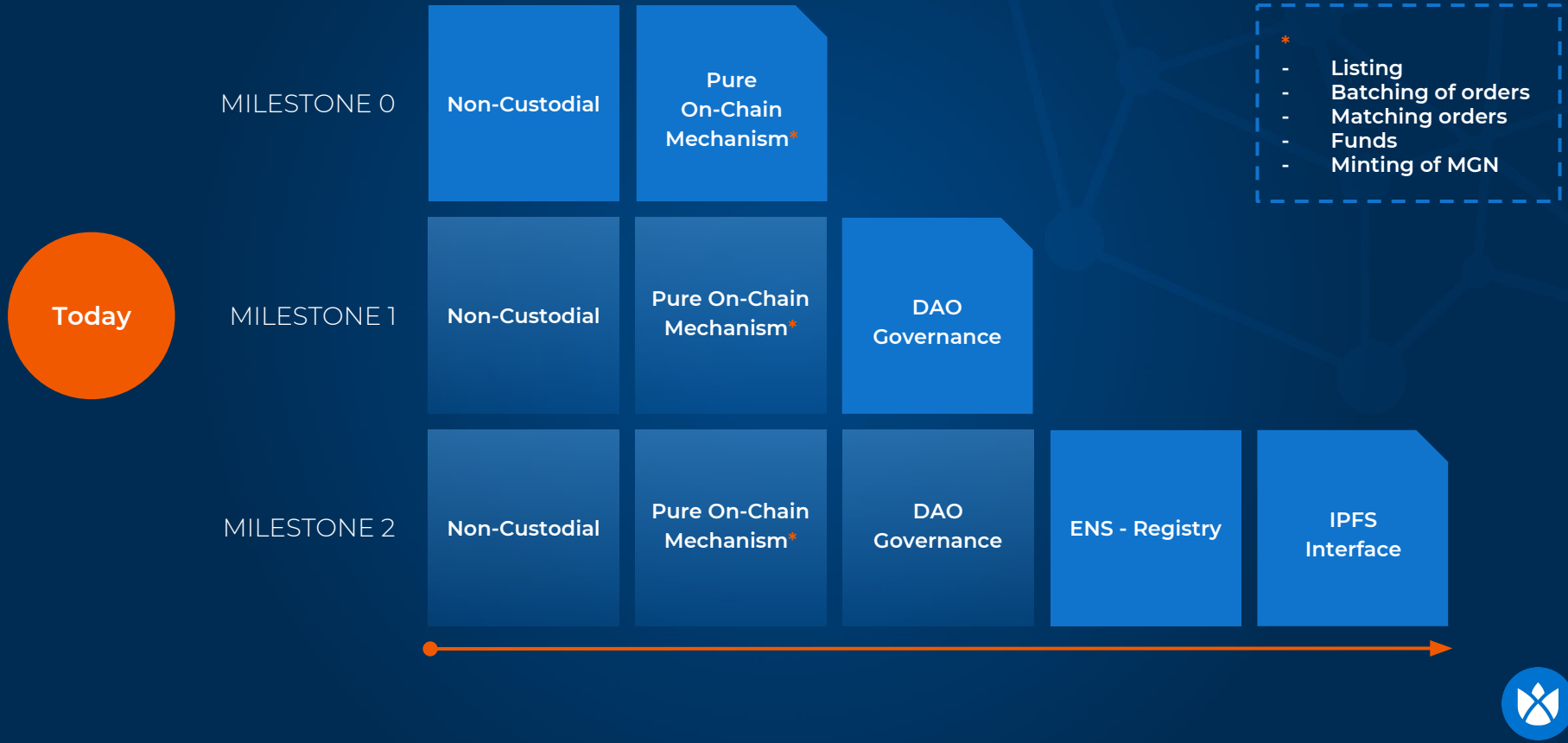
Ultimately the DutchX is designed to have low barriers of entry and hence to incentivise building on top according to set rules, which will provide further liquidity



Roadmap to full decentralization (1/2)

- Additional features to be built on the existing and immutable smart contract code
- DutchX users accumulate Magnolia (MGN) in proportion to usage. Holders of MGN benefit from fee reduction and DutchX governance rights
- A DAO to govern a decentralized interface which lists tokens from the smart contract layer
- Soon to be truly decentrally run and governed protocol. A missing piece of infrastructure - the first fully decentralized exchange

Roadmap to full decentralization (2/2)



Explaining fees and their redistribution

Participants of the DutchX benefit in proportion to their usage through fee retention and fee reduction. These fees are redistributed within the DutchX ecosystem - they do not accrue to any third party.

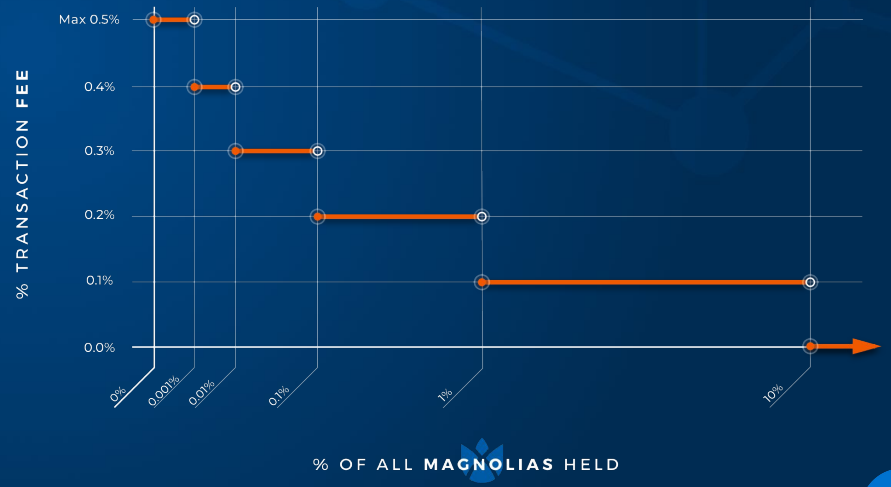
FEE RETENTION

- **Fees retained in the ecosystem remain allocated to the same token pair. These fees are added to the sell side of the next auction without any dilution with other pairs on the DutchX**

FEE REDUCTION WITH MAGNOLIA (MGN)

- **MGN is generated and credited by trading on the DutchX: 1MGN for every 1ETH worth of whitelisted tokens**
- **MGN are locked by default for fee reduction**
- **Can be unlocked and tradable after 24h**
- **MGN are transferable and may generally be suitable for trading on a secondary market**

Fee Reduction Model



Early adopter advantages

In addition to token tradability, increased token adoption and awareness, other specific advantages may include:

ACCESS TO LIQUIDITY

DutchX supports many use cases for DApp integrations (e.g. token exchange, token lending). Early adopters benefit from attention and network effects

MAGNOLIA

MGN token generation is inflationary. As such, early adopters accrue significant fee advantages relative to later users of the DutchX

FEE RETENTION

Fees are redistributed to the users of the DutchX:
They remain allocated to the trading pair through which they were generated and form additional liquidity for each subsequent DutchX auction

GOVERNANCE STAKE

MGN token holders may obtain voting power in the governance model

Building blocks for listing

A B C

A
LIST TO THE DUTCHX BACK-END

- No listing fee
- No delisting
- Lower reliance on various platforms
- Architecture enables many use cases
- Mechanism design also works well for tokens with low liquidity
- Reliable on-chain price feed

B
PROVIDE LIQUIDITY

- Ensure that token pairs have sufficient liquidity after step “A”
- Two-sided marketplace: Liquidity of both sides (sell and bid) is provided for mechanism to work
- Provide stable trading to enable network effects
- No necessity to have market maker, which are generally expensive to onboard

C
LIST TO A FRONT-END INTERFACE

- Front-end interface facilitates trading for non-technical users
- Open source code may be used
- First DutchX interface will curate limited token projects
- Interface provided by Midas may display all tokens, sorted by liquidity

Outside scope of this documentation

Building block A: How to list a new token (NT)

A B C

1 STEP: LIST WETH/NT AUCTION PAIR

I. Fund the auction with at least US$10,000 worth of WETH as sellToken
II. Initial price needed: set a price for the WETH/NT auction pair

Setting a price too high may mean that the auction runs longer than expected.

Although there is no fee to list, gas costs may accrue.

2 STEP: INITIATE ANY OTHER TOKEN-PAIRING (NT/ANY)

I. Initiate token pairing (Every specific token pairing needs to be initiated separately)
II. Ensure that both tokens are already listed
III. Fund the auctions NT/ANY or ANY/NT with a combined value of at least US$10,000 worth of sellTokens

Per token pair, funding of $10k worth of ANY token is needed.

3 CONSECUTIVE AUCTIONS

Opposite auctions always run at the same time and automatically.

Only one auction for each pair runs at any time.

Once the sell volume deposited is equivalent to US$1,000 worth of tokens, the auction starts automatically.

For this step, provision of initial minimal liquidity for two-sided market is encouraged (cf. “B”).

Building block B: Liquidity provision: reason for bots on the DutchX

A B C

The purpose of bots are to serve as liquidity of last resort in the event market participants provide insufficient volume. Where a project lacks a dedicated market maker this avoids funds getting stuck.

ATTRACTS BIDDERS:
Ensures liquidity for an auction in the event of insufficient supply.

ATTRACTS SELLERS:
Ensures liquidity for an auction in the event of insufficient demand.

Any fees from liquidity provision remain in the token's ecosystem and accelerate the ramp-up of liquidity by attracting more users.

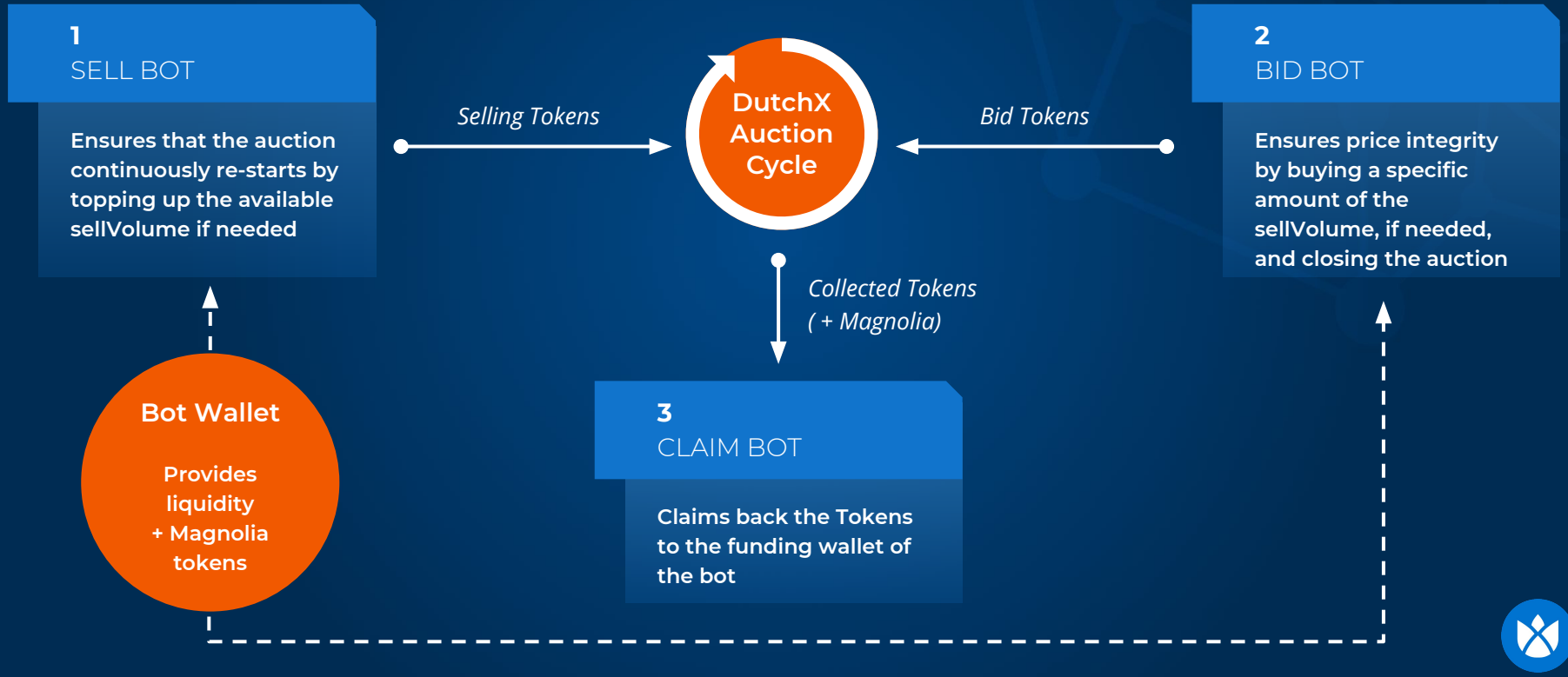
Provides a reliable on-chain price feed

Ensures a smooth trading ramp-up of the token pair

Bots participate until minimum volume levels are reached

Building block B: How liquidity bots interact on the DutchX auction cycle

A B C



Building block B:
The mechanics of the bots

A B C

1
SELL BOT

- Participates only if participation of other sellers is too low
- Acts when the last pair of the previous action closes
- Tops up the more valuable batch until it is worth 1000$ in tokens

2
BID BOT

- Participates only if the participation of other bidders is too low
- Gets triggered based on three thresholds which are provided by an external price feed (and several back-up price feeds)

Parameterisation of the bid bot: logic can be adjusted

3
CLAIM BOT

- Claims back tokens to the funding wallet of the bot

Building blocks: technical links

A B C

A
LIST TO THE DUTCHX BACK-END

- Technical documentation (incl. links to all smart contracts and their deployment)
- Audit report of the smart contracts

B
PROVIDE LIQUIDITY

- Sample liquidity bots
- Reports

Adjust logic to your needs: adjust thresholds and price feeds

C
FRONT-END INTERFACE (OR CLI)

- DutchX (curated)
- Midas interface
- Command line interface (for more technical interaction)

REST API

The DutchX API provides information about the auctions running on the smart contracts.

- DutchX API
- Sample API use

Contact

Gitter - ask developer questions

Ethresear.ch - take part in discussions

DutchX Twitter - stay informed