Gild Lab.

Whitepaper 3

ETHg DAOs

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Contents

Whitepaper 3 - ETHg DAOs

ETHg money supply DAO

- Governance token incentivises minting and burning
- Purely mathematical, mint and burn
- Takes profit through minting and burning tokens

ETHg pairing volume DAO

- Governance token incentivises volumes
- External token pairs like Paxos, BulllFX
- Seeding, liquidity for Rain raises
- Drive volume
- Incentivise volumes

Vault DAO

- Incentivises vaults / commodities
- Pair their commodity token with ETHg

ETHg / DAO

The main thing actually for the dao is not whether it can own native protocol assets and mint/ burn gov tokens (it can), but how to take signals from the tokens and turn them into actions.

Governance role to tweak parameters like:

- Threshold when a gild and sell ETHg can be done
- Threshold when a buy ETHg and ungild
- Max slippage on buy/sell

Questions

- How to participate in the DAO? Token holding, ETHg minted, combination?

- How to represent value creating activity?

- Can vote on pairings, where to provide ETHg, how to manage treasury?

- How to make governance decisions? Pure onchain? Voting? Mix? Something else?

- Can the onchain DAO contract be totally autonomous based on parameters/allocations of gov token setting thresholds, or does it need admin keys?

Risks

- Will the DAO have too many assets? I can see, especially early days, that the demand for ETHg from end-users and LPs being much less than people would like to leverage against (read: sustained and very low ETHg to XAU ratio) with DAO-sized allocations

- The DAO could easily fuck up and lock most or even all the DAO's funds for a very long time if they gild and dump ETHg at a particularly bad ratio, if anyone new deposited ETH they'd be essentially bailing out existing participants so it would probably kill or freeze the DAO while all the members waited for a recovery

Example signals & actions

ETH price will go up relative to ETHg

A DAO with an explicit mandate to be patient and help manage supply should be able to profit. A DAO could have regular risk/governance meetings broadcast on youtube similar to makerDAO and do all kinds of deep analysis on when to gild/ungild. Purpose-built smart contracts could be written that issue governance tokens pro-rata for any ETH that users deposit, and can be redeemed (burned) pro-rata for underlying assets. As everything is ETH denominated there's no counterparty risk, complex whitelisting, or ambiguous calculations. The main value-add for participating in the DAO would be "wisdom of the crowd" behaviour for profiting off the system, hopefully more than any individual has time/knowledge to do themselves.

ETH price will go down (temporarily) relative to ETHg

If the DAO simply mints ETHg and never puts it into circulation then it has no effect on the market. As long as the DAO members are ETH permabulls they should have no problems with dumping ETHg for ETH after ETH has already been dumped, ETHg denominated.

In reality, wed expect ETH and ETHg to dump together. Seems like a good source of income if it does happen periodically.

Seeding Rain raises

A DAO could seed raises and make profit off doing so.

As the asset would be ETHg there are no counterparty or collateral risks. The Rain platform ensures that the underlying balancer pool always returns all the seed capital (sans some dust) if the raise fails, or all the capital plus a profit/fee if the raise succeeds. Indicative rates are 2% for a 2 day raise.

Other uses for ETHg

A DAO could use ETHg for other purposes

Gold vault / DAO

- DAO represents a commodity supply
- DAO is tokenised
- DAO can add/remove issuers and auditors over time
- DAO makes it so that no other issuers can be on the same contract

Context

Say if a miner already has a huge inventory of gold… Then we NFT the physical assets then mint fungible tokens in the same amount, binding them so they mint/burn in equal amounts. Have an auditor check the nfts against physical assets and if there is a discrepancy have the whole system freeze until the nft issuer can burn enough fungible tokens to take the nft off the books.

Each token unit will need to be matched to a gold bar? That's what the nft does, it represents the authenticity of every unit of fungible token. I mean erc1155 where the nft has an id and an amount. The id would point to the bar and the amount is the pure gold amount. People can trade the 20 like a normal token, knowing that the total supply equals the total supply of 1155.

We can bind any commodity like this.

So there could be a DAO piece to this physical token thing, totally separate from the ETHg DAO or maybe related. It would be less focussed on managing stuff onchain and more about audits and this could have a fee in it like paxg, the issuer of this gold token has a privileged position where they can arb their own peg

- if the gold token goes low they can buy it off the open market and burn their NFTs
- if it goes high they can mint more NFTs

- as long as the issuer has a good spread and access to spot they can just mint/burn all day
- they can even just mint burn against the same gold bars 😅
- they could buy and sell the same bar 1000 times no problem, and take a cut each time lol

So the factory contract i was talking about would have to be configured, so there would be issuers, auditors, end-users.

- Issuers have the right to mint/burn NFTs that represent something physical
- Auditors have the right to approve the NFTs to extend the system freeze (kind of like the difficulty bomb in ethereum itself)
- End users are the ppl who have the 20 and are the one's that get frozen if no auditor extends the time

A DAO can add/remove issuers and auditors over time, for example. Each time the factory creates a new contract it's a new ecosystem of these participants and a new 20 with a new set of NFTs which could be competing gold tokens or it could be separate commodities like gold/silver/etc.

There can be multiple issuers or a single issuers per 20, but if one issuer fucks up the whole system goes down together and only one auditor is required for the system to remain unfrozen. So issuer trust is N of N and auditor is 1 of N. So say one issuer couldn't pass audit and there was 1 bar missing, another issuer could buy enough 20 on the open market to buy them out and burn the bad NFT, the issuers would have to work as a team. Even if the system was frozen for end users the issuers themselves could trade against an AMM, but ideally they'd resolve issues before the freeze actually kicks in. If the freeze kicks in and there's no liquidity for issuers to access, they're kinda fucked if they can't convince an auditor to extend… but that's the teeth in the system that lets end users trust it.

Having an issuer getting into the business of another issuer would cause havoc for that issuer's ecosystem; adding additional "risk" to the ecosystem and making it more difficult for users (of any ecosystem) "trust" it??

- The contract doesn't care though
- it functions identically for one or multiple issuer keys

Each ecosystem is "segregated" through the factory. Every contract produced by the factory has a separate set of NFTs, a dedicated 20, different issuers and auditors. Only issuers for the same contract would be able to mint burn for that contract

The DAO makes it so that no other issuers can be on the same contract.

Documents

- ETHg + Gold transaction token & unit of account
- Making money with ETHg
- BullionFX ideas
- ETHg simple deck