Dual Utility Tokenomics
Fixing Broken Single Utility Tokenomics

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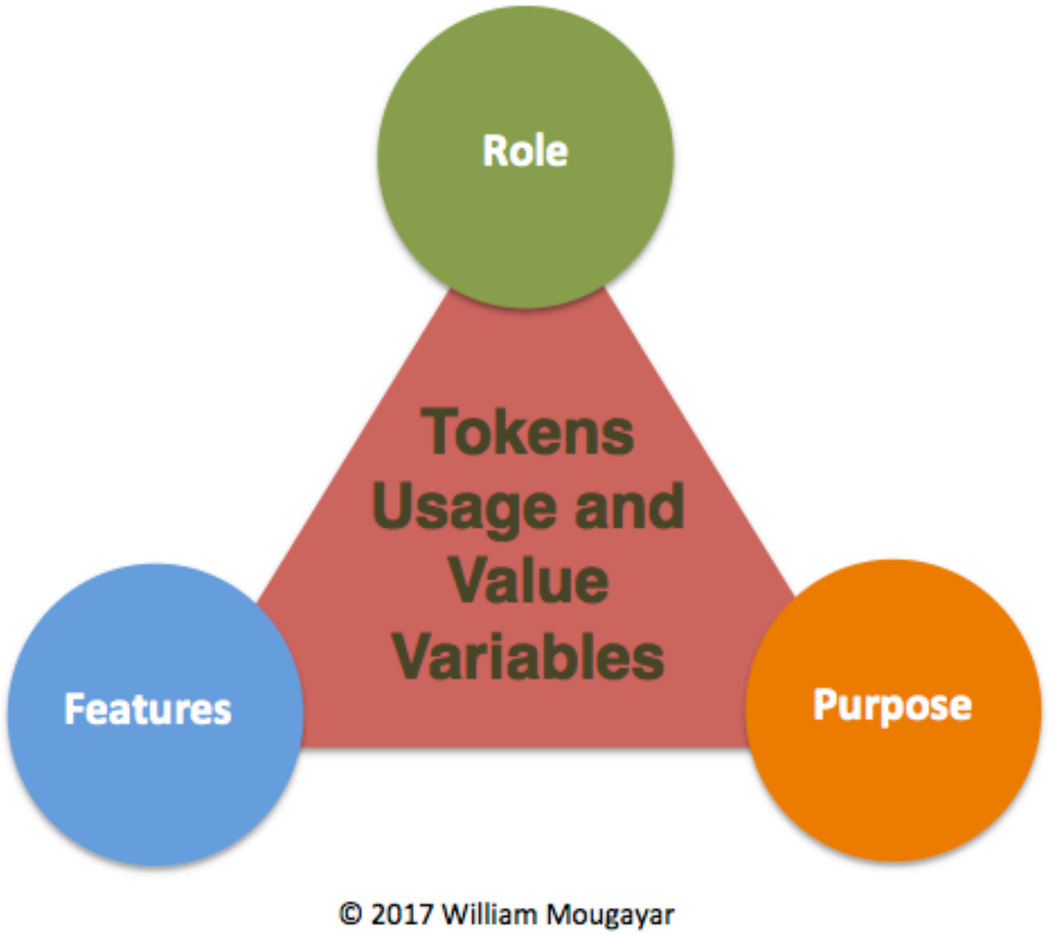
Background

Difuon Dual Token Fundamentals

https://github.com/Difuon/Papers/blob/master/papers/DifuonTokenomicsWP_0.9.pdf

Utility Tokens



W. Mougayar, “Tokenomics – A Business Guide to Token Usage, Utility and Value,” *StartupManagement*, 2017/06/10
http://startupmanagement.org/2017/06/10/tokenomics-a-business-guide-to-token-usage-utility-and-value

Checking off Too-Many Boxes

Here is a proposed set of questions to ask. If you are an ICO-based organization, give yourself 1 point for each yes answer, totalling a maximum of 20 points:

1. Is the token tied to a product usage, i.e. does it give the user exclusive access to it, or provide interaction rights to the product?
2. Does the token grant a governance action, like voting on a consensus related or other decision-making factor?
3. Does the token enable the user to contribute to a value-adding action for the network or market that is being built?
4. Does the token grant an ownership of sorts, whether it is real or a proxy to a value?
5. Does the token result in a monetizable reward based on an action by the user (active work)?
6. Does the token grant the user a value based on sharing or disclosing some data about them (passive work)?
7. Is buying something part of the business model?
8. Is selling something part of the business model?
9. Can users create a new product or service?
10. Is the token required to run a smart contract or to fund an oracle? (an oracle is a source of information or data that other a smart contract can use)
11. Is the token required as a security deposit to secure some aspect of the blockchain's operation?
12. Is the token (or a derivative of it, like a stable coin or gas unit) used to pay for some usage?
13. Is the token required to join a network or other related entity?
14. Does the token enable a real connection between users?
15. Is the token given away or offered at a discount, as an incentive to encourage product trial or usage?
16. Is the token your principal payment unit, essentially functioning as an internal currency?
17. Is the token (or derivative of it) the principal accounting unit for all internal transactions?
18. Does your blockchain autonomously distribute profits to token holders?
19. Does your blockchain autonomously distribute other benefits to token holders?
20. Is there a related benefit to your users, resulting from built-in currency inflation?

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Problem Confusion of Concerns

Medium-of-exchange/Unit of Account

Store-of-value

Pump-n-Dump Investment

Market Cap value of network

Fixed cap on tokens issued

Value of token = Market Cap / Tokens Issued

Issue tokens to investors at discount value

Hype the future value of token

Investors liquidate their positions by selling to secondary buyers

Rinse and repeat

EOS


EOS Charts
Linear Scale
Log Scale
Zoom
1d
7d
1m
3m
1y
YTD
ALL
From
Jul 1, 2017
To
Oct 25, 2018
Network Live
$16B
$12B
$8B
$4B
$0
Market Cap
$20.00
$15.00
$10.00
$5.00
$0
Price (USD)
0.002 BTC
0.0015 BTC
0.001 BTC
0.0005 BTC
0 BTC
Price (BTC)
24h Vol
2.4B
0
24. Jul
18. Sep
13. Nov
8. Jan
5. Mar
30. Apr
25. Jun
20. Aug
15. Oct
Aug '17
Nov '17
Mar '18
Jul '18
Oct '18
Market Cap
Price (USD)
Price (BTC)
24h Vol
coinmarketcap.com

Tezos

coinmarketcap.com

Quantstamp


Quantstamp Charts
Linear Scale
Log Scale
Begin Accepting Fiat (USD)
Zoom
1d
7d
1m
3m
1y
YTD
ALL
From
Nov 21, 2017
To
Oct 24, 2018
Public Sale
$480M
$360M
$240M
$120M
$0
Market Cap
80M
0
24h Vol
$0.800000
$0.600000
$0.400000
$0.200000
$0
Price (USD)
0.000048 BTC
0.000036 BTC
0.000024 BTC
0.000012 BTC
0 BTC
Price (BTC)
Dec '17
Jan '18
Feb '18
Mar '18
Apr '18
May '18
Jun '18
Jul '18
Aug '18
Sep '18
Oct '18
Jan '18
Apr '18
Jul '18
Oct '18
Market Cap
Price (USD)
Price (BTC)
Price (ETH)
24h Vol
coinmarketcap.com

HoDling Powers

(1) **Redemption:** Gift Card Program
(2) **Promotion:** Loyalty Program
(3) **Rewards:** Spending Rewards Program
(4) **Staking:** Membership Program

Redemption

(1)**Redemption:** Like a gift card SoV tokens can be redeemed at the rate specified by the MoE tokens for items on the platform's products and services menu.

The menu is two-sided with one side priced in the SoV token and the other side in a MoV token which is pegged to fiat.

This provides a composite floor value of the SoV in fiat that is equal to the consumptive weighted average of the fiat value of the items in the menu.

This is designed to minimize downward volatility and help ensure purchaser’s of SoV tokens who purchase at a discount realize positive returns and also virtuously ensures that later purchasers of SoV tokens are protected from downward volatility.

The redemptive value is effectively a worst-case value for the SoV token once the network is life.

Promotion

(2) **Promotion:** Like the points in a loyalty program, SoV tokens may be redeemed for MoE Tokens for products and services at promotional prices provided only to members of the program.

This allows conversion at better than retail rates and allows for anti-Moore's Law appreciation as service classes through the Menu are upgraded over time in response to technological advancements.

This drives early adoption by users of the Project and enables repeated adoption acceleration as new products and services are introduced to the network through the menu at promotional pricing.

Rewards

(3)**Rewards:** Like a rewards membership, holders of the SoV may earn MoE tokens as of function of both their holdings of SoV and their spending in MoE on the platform.

These earned MoE Tokens may then be redeemed in exchange for Fiat at the rate specified in the Menu or used to purchase additional products or services on the platform.

The earning rate of MoE per expenditure of MoE is an inverse nonlinear function of the number of SoV they hold. For example, a holder of 10,000 SoV would earn MoV at a higher rate (but less than 10x) for the same expenditure of MoE than a holder of 1,000 SoV.

The exact nonlinear function and parameters is tuned to the market dynamics. An example would be an inverse quadratic function. This incentivizes large users of the platform to hold increasingly large numbers of SoV in order to obtain larger rewards in MoE.

The amount of SoV held increases as a function of the market cap of the network in services provided.

Staking

(4) **Staking:** Like membership in a club, participation in several activities within the network require the staking (holding) of SoV. These include, either directly or as a delegate, the hosting of support nodes, the voting on the use of community tokens for bounties, or the voting on features and upgrades to the network protocol.

This staking rewards good participant behavior by providing the opportunity to share in the revenue generated from fees associated with supporting the network and dis-incentivizes bad behavior as participants would lose their stake as a result.

The participation strength is an inverse nonlinear function of the amount staked. This also greatly incentivizes the holding of large numbers of SoV that increases as a function of the size of the network infrastructure.

SoV Phased Drivers of Value and Behavior