LIQUIDITY DIVIDENDS PROTOCOL
White Paper

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A solution suite for dividend
bearing locked liquidity tokens.

Abstract

The realm of Decentralised Exchanges and Decentralised Finance Tokens have been growing at an incredibly fast rate, compared to their more traditional and long standing counterparts. Decentralised Exchange trading volume surged to $3.7B in the month of July 2020, with Uniswap accounting for 47% of total trading volume1. This monthly growth outperformed Centralised Exchanges by more than 500%2. As the popularity and interest grow in this space, the potential for scams has also increased. Of these, 'Rug Pull' scams have been the most prevalent, devastating both investors and traders, along with the potential for future startup projects. A simple question is born from this – what can we do about it? This white paper will 1) introduce Liquidity Dividends Protocol (LID), and 2) suggest that Liquidity Dividends Protocol as detailed below, will provide solutions to 'rug pull' scams through mechanisms that are distinct from current methods.

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Introduction

Overview

The Liquidity Dividends Protocol provides solutions for locked liquidity ERC20 tokens. Specifically, this white paper discusses the following LID Technologies, 1) a non-custodial certified presale that trustlessly locks liquidity in Uniswap, and 2) a social staking system that benefits community members with bonus rewards. LID Protocol demonstrates the market demand for both of these novel technologies by implementing them on its own ERC20 token, LID.

Liquidity Dividend Protocol's business model is a licensing and certification system. LID provides new ERC20 projects with technology and certifications, increasing investor certainty and reducing the barrier to entry for new projects to launch trustless Uniswap ventures. Another important feature of Liquidity Dividends Protocol, is the LID DAO.

LID DAO, a community driven Decentralised Autonomous Organisation, acts as a member-directed, community involvement venture fund. The LID DAO places decision-making power into the hands of an automated system, powered by a crowd sourced process, the members.

The LID DAO receives a 5% fee from all LID Certified Presales and LID Certified staking dApps. The LID ERC20 token also implements a transfer tax, granting LID Token stakers 1.90% and the LID DAO 0.10% of all transfers.

Background

Little liquidity existed for low market cap ERC20 tokens before Uniswap. Centralized exchanges require expensive listing fees simply not affordable for early stage projects. The rate of growth of application layer blockchain technology was dramatically slowed by this lack of liquidity. Potentially valuable projects were left behind by investors concerned with their ability to sell these highly non-liquid, unlisted ERC20 tokens.

The emergence of Uniswap has created a massive rise in the number of low marketcap ERC20 tokens experimenting with new business models. Of these, the most fascinating being dividend bearing tokens.

These tokens usually have a source of revenue, such as a transfer tax, that is trustlessly distributed to stakers who have locked their tokens into a Smart Contract. The result is a positive feedback loop as higher market capitalization

drives activity, increasing rewards to stakers, increasing total locked supply, and thus increasing the value of the remaining unlocked tokens.

Of course, the dividend bearing token positive feedback loop fails without liquidity. Without liquidity, stakers have no guarantee that they will be able to exit when their personal financial situation requires it. The best dividend bearing tokens lock substantial Ether in Uniswap, guaranteeing liquidity for stakers, traders, and investors. Many popular tokens have successfully followed this strategy to launch themselves from low to mid-market capitalisation. The ability to scale project marketcaps, increases funds available to the developers and community, resulting in more innovative blockchain applications.

Scammers have found new ways to exploit these advances. In the "rug pull", the scammer places liquidity into Uniswap, only to pull it out from the unsuspecting investors and traders at some future time. Some of these rug pull scams occur as quickly as 30 minutes after the launch of the token. Others occur after several days or over the course of weeks as liquidity is quietly reduced. In the week ending August 9th 2020, 631 new tokens had been listed on Uniswap – by weeks end, 490 of these had their liquidity reduced to zero. The response by the application development community has been to create "Proof of Locked Liquidity" tokens where Uniswap liquidity is provably permanently and irrevocably locked into Uniswap, usually through the burning of liquidity pool tokens.

The Liquidity Dividends Protocol advances the development of dividend bearing Proof of Locked Liquidity tokens. It does this through the following three ways:

1. LID Presale standardized non-custodial Presale Smart Contracts that lock liquidity.
2. LID Certification of Proof of Locked Liquidity Tokens.
3. LID Staking providing incentives for stakers to provide additional value, compared to just holding tokens alone.

Licensed Non-Custodial Proof of Locked Liquidity Presales

The Liquidity Dividends Protocol has developed several innovative new technologies for trustlessly depositing liquidity generated via presale into Uniswap. Conceptually, these technologies focus on reducing investor risk, increasing project raised funds, and encouraging social participation.

Example Presale Steps

1. The Project Team sets the starting price and the rate of price increase.
2. The Project Team sets the token and ether allocations, with the following restrictions:
   1) 40% of tokens must be sold in the Presale.
   2) 16% of tokens must be locked into Uniswap liquidity.
   3) 60% of raised ether must be locked into Uniswap liquidity. (15% to token burn.)
3. The Presale starts at a selected timestamp.
4. Buyers deposit ether and immediately receive locked tokens at a linearly increasing rate.
5. The Presale timer starts at a fixed amount and increases by:
   1) X hours for every 100 ETH raised, up to 1000 ETH,
   2) X hours for every 1000 ETH raised, up to 10000 ETH, and,
   3) X hours for every 10000 ETH after the first 10000 ETH.
6. Once the Presale countdown timer reaches zero, the Presale closes.
7. At presale close, tokens and ether are released as per the project team's token allocation plan, and liquidity is permanently locked in Uniswap through burning the generated liquidity pool tokens.
8. Buyers tokens are released at a continuous rate of 2%/per hour, over 50 hours.

Presale Referrals

When purchasing from the presale, a set percentage of Ether is set aside for referrals. If a buyer uses a referral code, the referrer receives the referral percent instantly. For excess referral fees, they are added to the total Ether pool and distributed along with all the other raised Ether.

Presale Mathematics

These formulas are used to calculate price, ether raised, ether to deposit to Uniswap, and the rate of increase of the price as the sale continues.

```
PRICE = PRICE_MULTIPLIER * PRESALE_LID + STARTING_PRICE

PRESALE_ETH = (PRICE_MULTIPLIER/2) * PRESALE_LID ^ 2 + STARTING_PRICE *
PRESALE_LID

TOTAL_LID = 2.5 * PRESALE_LID

UNISWAP_ETH = 0.75 * PRESALE_ETH

UNISWAP_LID = 0.4 * PRESALE_LID

UNISWAP_PRICE = 1.875 * PRESALE_ETH / PRESALE_LID
```

Sample LID Presale: *The LID Token Presales*

The Liquidity Dividends Protocol demonstrates the market viability of LID Certified Presales by applying the technology to its own LID Token Presale. The following values are used for the LID Token Presale and are suggested as starting points for any project desiring to run a LID Certified Presale.

Constants:

STARTING_PRICE	2e-5
PRICE_MULTIPLIER	6e-13
START_TIMER	48 hours
TIMER_DELTA	8 hours
REFERRAL_FEE	2.5%
NONWHITELIST_CAP	1 ETH
WHITELIST_CAP	10 ETH + 2% of total ETH deposited

Price approximates and distribution:

The Presale price will be approximately the following, depending on current Ether raised:

Note: The price difference between presale and Uniswap depends on how far the sale proceeds. It ranges from 10-60% higher than the final price at presale close, lower with a bigger sale. Early buyers will see more of a post presale bump as an incentive to encourage early entry. Teams should keep the rate of increase of the token sale over its duration low enough to prevent excessive profits for early buyers but high enough to encourage early entry.

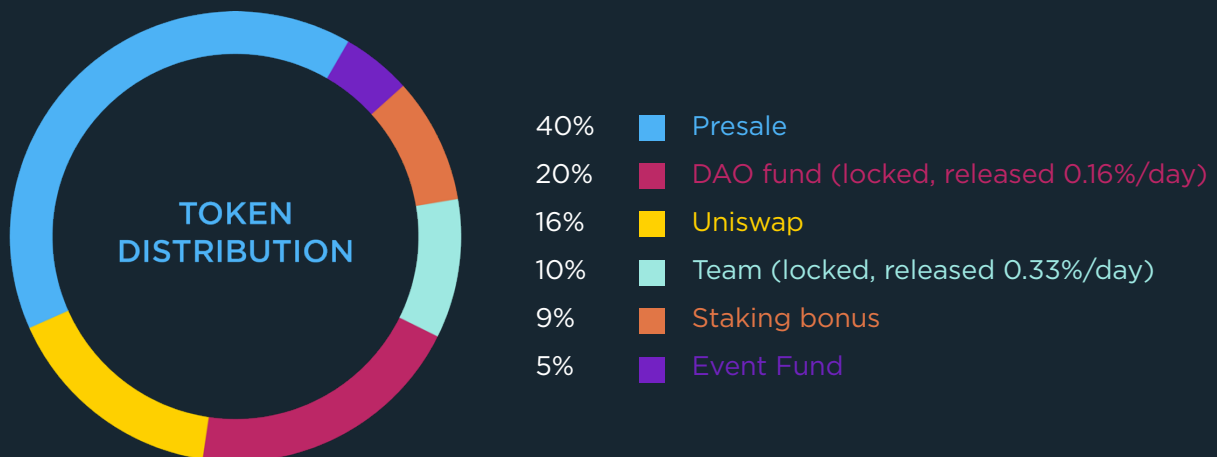| ETH Raised	Final Price LID/ETH (Approx.)	Presale LID (Approx.)	Uniswap LID/ETH (Approx.)
0	50,000	0	-
1,000	25,000	33,333,333	17,777
3,000	15,811	72,075,922	12,813
7,000	10,660	123,013,859	9,372
15,000	7,372	192,744,333	6,853

The Presale will take the following amounts of time, depending on final ETH raised:

Total Hours	ETH Raised
88	500
120	1000
160	5000
200	10000
240	15000

Ether distribution:

15%   Native Token Buyback and Burn

5%   Licensing Fee (LID)

20%   Team

60%   Uniswap

Token Distribution

40%   Presale

20%   DAO fund (locked, released 0.16%/day)

16%   Uniswap

10%   Team (locked, released 0.33%/day)

9%   Staking bonus

5%   Event Fund

Note: The above LID Token Distribution was used in the successful LID Token Presale. Of these values, restrictions are placed on Uniswap token allocation and Presale token allocation. Flexibility is granted on the other allocation categories, however recommendations will be made to further facilitate investor certainty and also to increase the projects presale success.

Licensed Socially Engaged Staking

Current staking solutions focus on solving the collective action problem of agents selling tokens in a cascading market decline. LID Staking extends this solution to apply to DAO voting and promotion. Unlike other complex staking mechanisms by other protocols, LID Staking focuses on the increased incentive to stakers to perform useful actions for the community. The following details are for the LID token and may be modified for licensed LID Staking projects.

LID Staking

Deflationary staking rewards are generated through transaction tax, with a 2% tax applied to certain transactions. Of these, Uniswap sells transactions, and Staking dApp unstaking transactions, are taxed at 2%. Staking transactions within the dApp and Uniswap buy transactions are exempt from the 2% tax. 5% of all rewards (that is, 0.05% of all transactions) are granted to the DAO fund. Tax exemptions will also be issued to other exchanges for LID purchases on request.

Voting Multiplier

Every 30 days, the contract checks whether the voter has participated in at least 50% of DAO votes in the previous 30 days. A 2x multiplier is then applied to the staker's rewards based on their lowest balance during that 30-day period.

Staking Referrals

Staking has a 400 LID initial registration fee. If the staker uses a referral code, they receive a 50% discount to the fee. 100% of fees are paid to the referrer. Excess fees are added to the distribution pool.

Long Term Holding Benefits

Whilst staking benefits help to increase holding incentive, LID Protocol has developed some truly innovative ideas to further increase the benefit to long term holders of the token. These benefits include:

Presale Early Access to LID Stakers

Each presale that is conducted using the LID Certified Presales service agree to allow LID Token stakers up to 15 minutes early access before the presale is open to the public. The system will allow those with 500,000 or more staked LID up to 15 minutes early access. The amount of LID staked and the early access period will reduce in tiers; the system is structured based on amount of LID staked. The tiers are:

Tier	LID	Time before open to the public
Tier 1	500K+ LID	0-3 minutes
Tier 2	100K-500K LID	3-6 minutes
Tier 3	50K-100K LID	6-9 minutes
Tier 4	25K-50K LID	9-12 minutes
Tier 5	1K-25K LID	12-15 minutes

Community Voting for Projects Listed in Presales

An integral part of the LID Protocol ecosystem and environment is that of the community which supports it. To use crowd-mind intelligence to the fullest effect, prospective projects that wish to use LID Certified Presales will now be voted in via direct community voting. For those members who are loyal LID Token stakers, those stakers are now directly able to vote on which projects make it to the presale stage within the LID Certified Presales service offering. This ensures a broader range of projects, specially selected by the community, will now be available through LID Certified Presales.

Native Token Airdrops to LID Stakers

LID Token stakers will now be able to take part in a unique system benefiting long term stakers; of each presale fee that is collected from projects undertaking a LID Certified Presales service offering, 1% of this fee comprises 1% of total native tokens of the project in question. This 1% of tokens will be distributed via airdropping to LID Stakers in proportion to the amount of LID Tokens held in the staking program. The qualifying amount of LID Tokens staked is set at 5,000 LID Tokens.

The higher the amount of LID you stake, the higher your percentage of airdropped native tokens will be. *(Currently in development, due for deployment by EOM September 2020).*

Native Token Buyback and Burn

A crucial component of a projects ability to succeed in the early days of listing, is that of price action. Positive price action combined with positive investor sentiment generally lay the foundation for the success of a start-up project.

Of the ETH raised by a project in their presale phase, 60% (previously 75%) will now be locked in to liquidity, with the remaining 15% of raised ETH now being used to purchase (buyback) the native token upon listing of Uniswap. Once this purchase has been made of the native tokens, these tokens are then burnt permanently. This Buyback and Burn will occur within the first 72 hours after being listed on Uniswap. We believe this will help to improve the presale token value in the early days after launching on Uniswap.

As a long term staker of LID Tokens and your ability to access presales up to 24 hours before the public, this native token buyback and burn helps to further increase positive incentive action.

LID Token Buyback and Burn

To further increase benefits to long term staking of LID Tokens, 20% of LID Fees (in ETH) from each presale will be used to buyback and burn LID Tokens after presale. This serves to continue positive price action, and also serves to reduce total circulating supply of LID Tokens, thereby increasing the value of the token through scarcity of the asset.

Looking behind, Thinking ahead

The technological and investor landscape within the cryptocurrency space is ever changing and ever evolving. With its natural organic growth, increased uptake by the masses, and developing future use cases, the premise to secure both project and investor alike is ever more important.

A Short History

Looking back, we can see a colorful and expansive history in the world of cryptocurrency. From humble beginnings in 2009 when the first Bitcoin was mined, to 2011 when Bitcoin was valued at $0.30 (marketcap in excess of $1 million), the industry has been under constant development. The first large scale theft occurred on February 14th 2014, and affected the Mt Gox exchange – during this theft, hackers were able to steal 6% of the total circulating Bitcoin at the time[3] (this was estimated at over $400 million.)

LID

With the development of blockchain technology, new cryptocurrencies began to be released – of these, one of the most influential to date has been that of the Ethereum network. With the advent of the ERC20 token, technological advancements have allowed developers and projects the opportunity to bring to life valuable assets, products and services. As we have discussed, along with these advancements were the proliferation of scams, with Rug Pull scams being one of the most devastating.

It is estimated that over 75% of all new token listings on Uniswap are created with the sole purpose of rug pulling unsuspecting investors and traders.

The Future is LID

Key points for successful trading markets include that of positive investor sentiment, fund and monetary liquidity, and continuing project developer commitments and advancements. With the large increase and prevalence of Uniswap rug pull scams, the above key points are under fire with the end result being failure of the system.

Failure of the system is all encompassing – investor sentiment declines, liquidity in markets is substantially reduced, and valuable projects never get to fully develop. This flaw is further increased by rug pull scams.

Liquidity Dividends Protocol, with the advent of LID Certified Presales, aims to end rug pull scams through the use of intelligent technology, project transparency, and timely intervention. LID Certified Presales grants the potential future investor a 'seal of approval' on their project investment opportunity, and grants the project development team an efficient, brand-backed Presale process.

Conclusion

By our discussion above, we conclude that the market requirement of a trustless, certified presale process is paramount to the continuing future development of ERC20 tokens and projects, and also for the future security of potential investors. Without LID Certified Presales, investors remain as likely targets for rug pull scams, and projects with valuable technologies may never see the light of day.

"Spend each day trying to be a little wiser than you were when you woke up."
- Charlie Munger

Liquidity Dividends Protocol: LID Certified Presales – the wise choice.

References

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https://www.coingecko.com/buzz/coingecko-monthly-crypto-report-july-2020

[3]   **Norry, A.** (2018). *The Complete History of Cryptocurrency for Beginners.* https://parameter.io/history-of-cryptocurrency/

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