

Lightpaper



Decentralized ***community-driven
funding protocol*** for Web3.

2022

Polimec Foundation – Switzerland

Challenges in Fundraising

One of the main unresolved obstacles to innovation and growth in fundraising is the efficient allocation of capital. To achieve capital efficiency during fundraising, all stakeholders' incentives must be aligned. Fundraising possibilities as of today are still highly trust-based, centralized, dominated by opaque and inefficient procedures, and limited to the network of projects and/or intermediaries.

Centralized Processes with Inherent Counterparty Risk

Given the decisive role centralized funding platforms and other intermediaries currently play in project funding, they effectively act as gatekeepers by imposing non-transparent terms and processes on issuers and participants in their self-interest. Relying on intermediaries in the funding process leads to counterparty risks and exposes issuers and participants to the intermediaries' inefficient, error-prone, and arbitrary practices.

Misalignment of Stakeholder Interests and Information Asymmetries

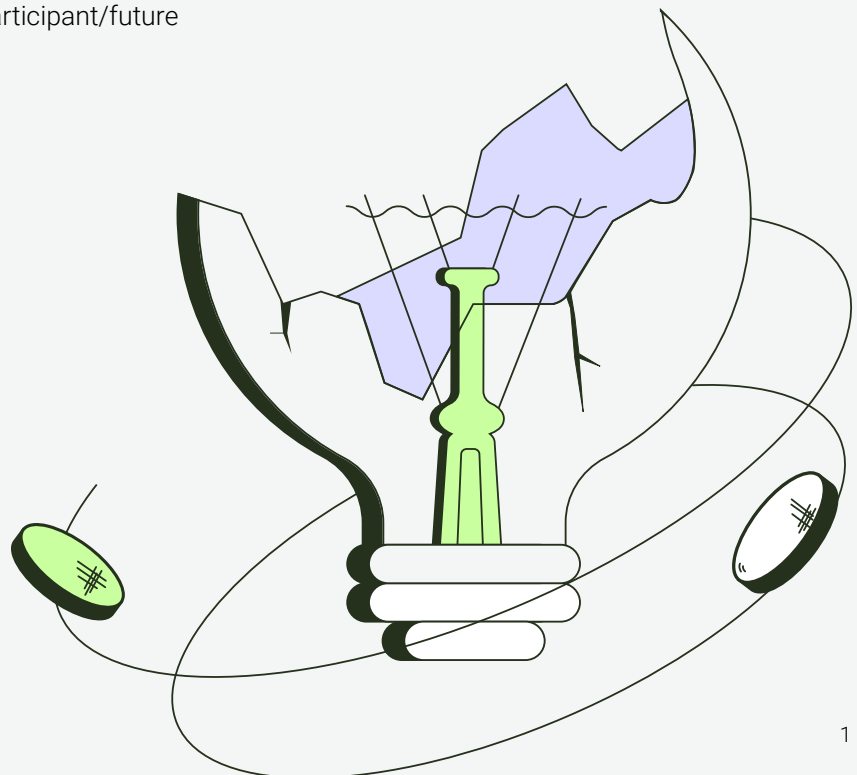
Centralized funding providers leave participation opportunities up to an individual's arbitrary judgment and preferences. Intransparency in token allocations, prices, and vesting periods for different types of participants only adds to the information asymmetry between the various stakeholders. This can lead to dire consequences for disadvantaged participant categories, the community, and issuers, and carries a significant reputational damage risk.

Limited Accessibility

Early-stage funding opportunities today are only accessible to corporations and individuals rooted in narrow and, in most cases, exclusive circles. Similarly, centralized funding platforms limit the optimal allocation of capital and access to funding rounds to their client base - which usually is limited to a specific target group. The exclusion of certain participant categories, jurisdictions, and high entry barriers restrict the establishment of a diversified participant/future token holder base.

High Costs and Lengthy Lead Times

Today, projects allocate substantial time and effort to fundraising. Performing funding rounds is time-consuming, stressful, and can negatively impact the project's development plans. Turning to intermediaries or centralized funding platforms, on the other hand, almost always involves upfront payments and high fees. Instead, projects should be able to focus on creating valuable business models.



Regulatory Compliant DeFi - Introducing Polimec

Polimec is a **decentralized community-driven funding protocol** developed on Polkadot to accelerate the Web3 ecosystem. The open-source and module-based blockchain system facilitates fundraising in a regulatory compliant and sustainable manner using on-chain credentials.

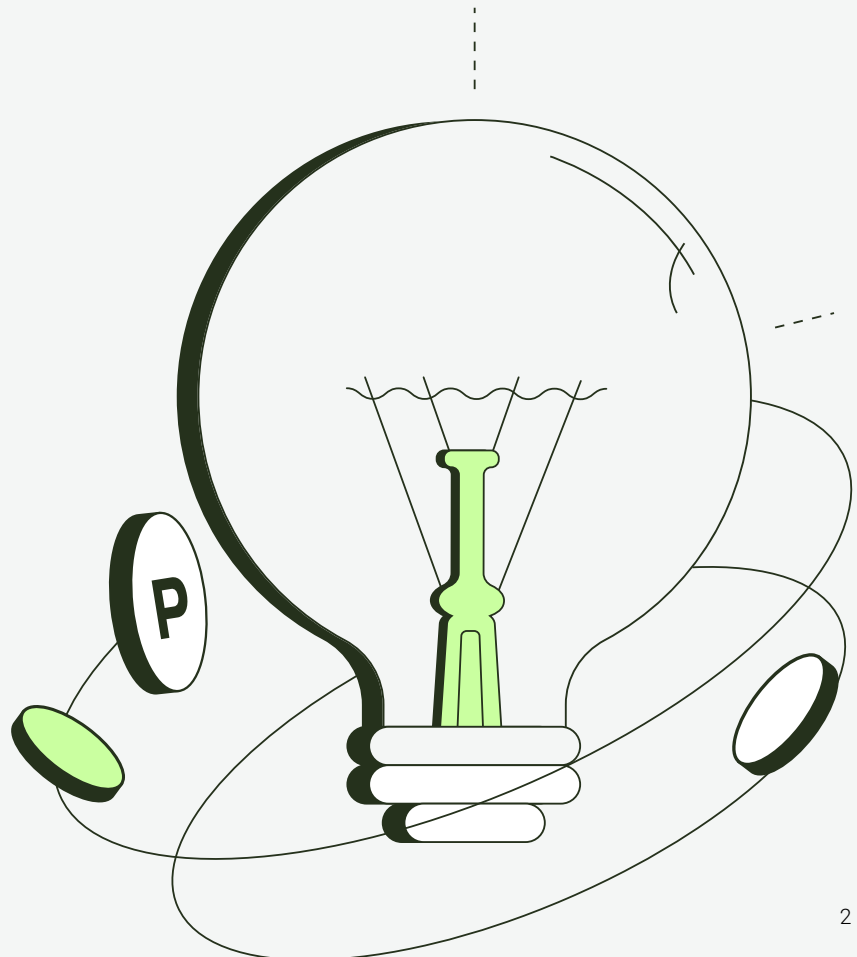
Polimec provides an **automated framework** for projects to raise funds within a broad and diverse community with transparent and fair access for all. The protocol provides access to fundraising and governs the **issuance, distribution, and conversion** of tokens to **mainnet**.

Polimec **maximizes value creation** for Web3 projects, allows different stakeholders to participate in funding rounds, and minimizes information asym-

metry between participants and issuers to grow their community. The underlying reward mechanism ensures that the interests of the various participants and projects are aligned for sustainable fundraising.

Using **on-chain credentials** from KILT enables user verification for know your customer (KYC) and anti-money laundering (AML), and other regulatory purposes while staying pseudonymous. This allows network participants to comply with relevant regulations in a decentralized and efficient process - while preserving data privacy.

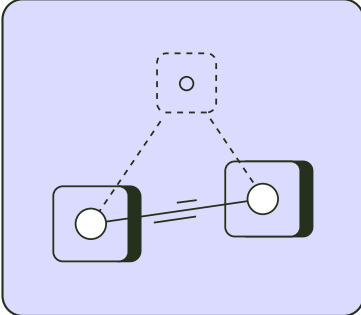
Furthermore, the native PLMC token enables access to participate in fundraises and a variety of **additional functionalities** such as staking, gamified social credit building, and more.



Polimec Values

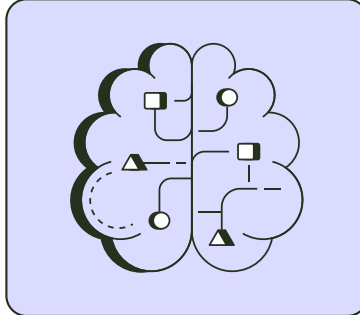
Polimec's mission is to change Web3 funding for the better. Therefore, Polimec is committed to a set of guiding principles and core beliefs to achieve sustainable value creation.

Trustless



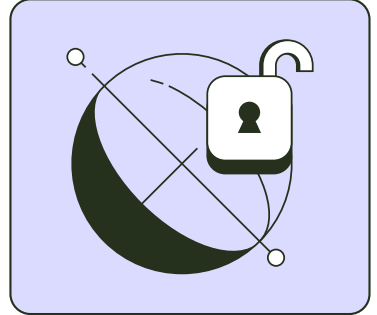
Enabling regulatory compliant fundraising without intermediaries or counterparty risk in a permissionless system.

Collaborative



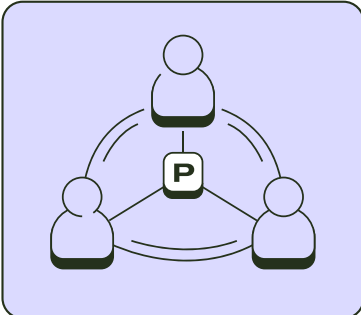
Empowering network participants to assess projects in a decentralized due diligence mechanism as their backing is decisive for funding.

Accessible



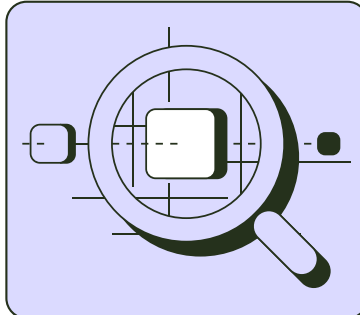
Facilitating global access to funding on a level playing field, allowing retail and professionals to participate alongside institutions.

Inclusive



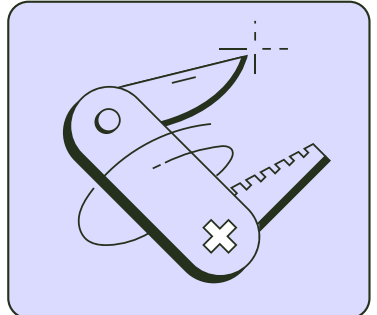
Gaining access to a broad and diverse community.

Transparent



Reducing information asymmetry in funding through transparency in entry prices, vesting periods, and token allocations.

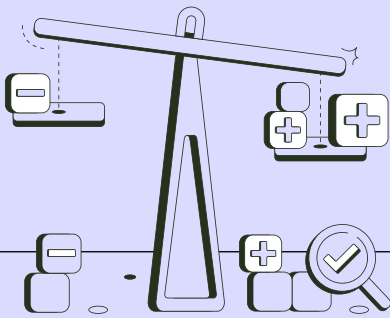
Efficient



Providing a trustless and automated funding process from fundraising to token distribution to the conversion at the project's mainnet launch.

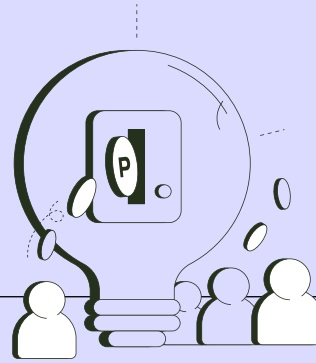
Polimec Token

Polimec attributes several utilities to its native token PLMC. Bonding PLMC enables PLMC holders to evaluate projects, participate in funding rounds, and access staking or liquidity pools. PLMC can, at any time, be used for voting on protocol changes via on-chain governance.



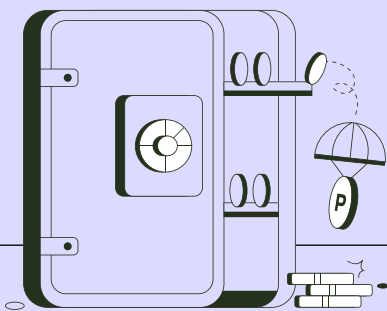
Evaluation

PLMC holders perform evaluations and signal their confidence in a project by bonding PLMC. Their backing is decisive for a project to proceed to a funding round. Evaluators are rewarded for correct evaluations or slashed for incorrect ones.



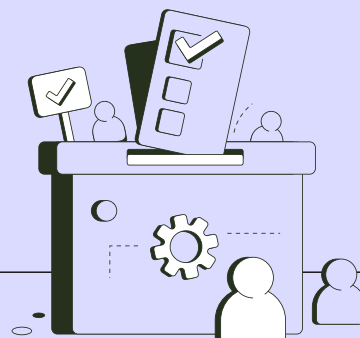
Participation

PLMC holders gain access to funding rounds by bonding PLMC. They participate with cryptocurrencies accepted by the issuer (e.g. stablecoins, DOT, KSM). Participants of successful funding rounds receive the project's contribution tokens in return for their participation or are refunded if the project does not reach the target funding amount.



Staking

PLMC holders earn staking rewards by nominating collators. In doing so, they get rewarded for providing stability to the network and contributing to validating transactions.



Governance

PLMC holders determine the direction of the protocol by deciding on topics such as protocol development, the implementation of new network features, and more.

Connecting Stakeholders beyond Funding

Technical Landscape

Polimec is an open-source blockchain that runs as a parachain on Polkadot. Polimec builds on the Polkadot ecosystem infrastructure due to its crucial differentiation from other decentralized protocols. One of the differentiating pillars is the security of the blockchain: on Polkadot, every parachain derives its security from the Polkadot Relay Chain and its validators. This ensures that each step on Polimec is safe and trustless. Low transaction fees allow the platform to scale as needed, and runtime upgrades enable Polimec to improve consistently and swiftly without requiring time-consuming forks. Lastly, Polkadot ena-

bles true interoperability and cross-chain transfers of any type of data or asset. The ability to interoperate with various blockchains is critical for a thriving fundraising ecosystem and leveraging network effects.

Polimec can integrate with other parachains and parathreads built on Polkadot's technology and any layer 1 or 2 blockchains built on top of the existing layer 0 of Polkadot.

However, Polimec is expected to be available to other ecosystems (e.g. EVM based) in the future.

Stakeholders

Polimec brings together all stakeholders required for sustainable project funding and aligns the multifaceted interests. All the network participants contributing to the funding round require attested credentials to interact with the network. Credentials are created and issued by trusted third parties that provide the required KYC/AML services.

Participants

- Are categorized via attested pseudonymous credentials as retail, professional, or institutional
- Bond PLMC in the funding round
- Participate in the funding round with cryptocurrencies accepted by the issuer
- Receive contribution tokens in case of successful funding or are refunded in an unsuccessful one
- Can access long-term holder bonus

Issuers

- Publish information about their project
- Engage with an existing community and grow their own one
- Issue contribution tokens to participants upon successful completion of their funding round

Evaluators

- Evaluate projects which apply for funding by bonding PLMC
- Indicate whether they expect the project to complete the funding round successfully
- Determine which projects progress to the funding round by bonding PLMC
- Earn rewards based on correct evaluations or are slashed based on incorrect ones

Funding Process

Polimec applies a rule and blockchain-based framework for raising funds in an automated, trustless, and disintermediated manner. The following section provides a detailed overview of the entire funding process on Polimec in chronological order.

01. On-Chain Credentials

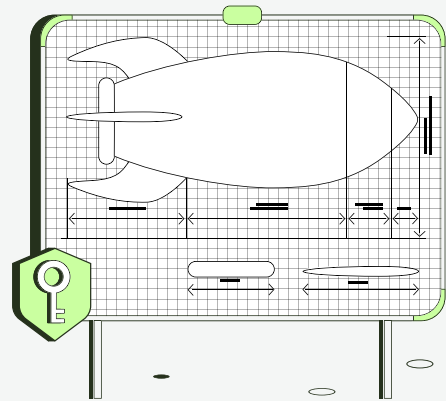
Polimec utilizes credentials issued on-chain by trusted, specialized third parties to ensure adequate knowledge and verification of all network participants. Credentials are pseudonymous, and no personal information is stored on-chain - hence all transactions and network participants on Polimec can be processed in a regulatory compliant and secure manner while preserving data privacy. The pseudonymous credentials can be validated on-chain using KILT.



03. Evaluation

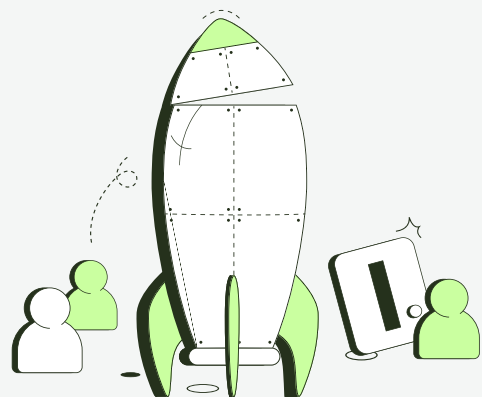
Evaluators signal whether they expect a project to successfully complete the funding round by bonding PLMC. Once reaching the required threshold of bonded PLMC for the evaluation, a project progresses to the funding round.

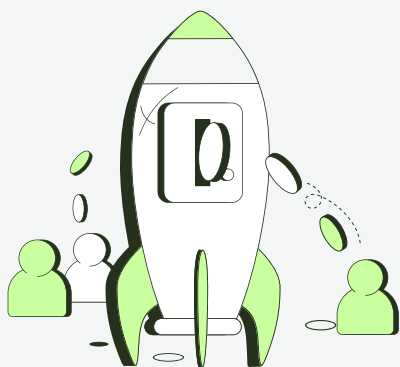
If the funding round concludes above a certain threshold in relation to the target funding amount, evaluators are rewarded pro rata in contribution tokens of the project. If the funding round concludes below a certain threshold in relation to the target funding amount, a predefined amount of the evaluators' bonded PLMC is slashed.



02. Funding Application

The credentialed issuer applies for the registration of a new contribution token and provides the project information pre-defined by Polimec. Once all parameters are set, the project becomes visible to all evaluators.





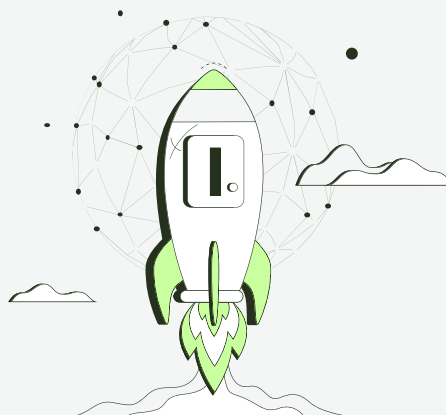
05. Issuance & Migration

The issuer keeps the funds if the funding round is successful, and Polimec issues and distributes the contribution tokens to the participants. The contribution tokens are transferability-locked and are automatically converted to the project's transferable mainnet token at launch. If the funding round is unsuccessful because the minimum threshold in relation to the target funding amount is not reached or the issuer rejects the funding, the funds are returned to the participants, and the contribution tokens are not issued.

04. Funding Round

Once the evaluation period has concluded with the required minimum evaluator backing, the funding round starts. Participants with attested credentials can contribute based on their credential type (i.e. retail, professional, institutional). Participants bond PLMC to receive access to the funding round. These funds are locked until the funding round ends.

The funding round is structured around an auction and a community round. The primary goal of the auction round is price discovery via a candle auction with an integrated floor price. During this predefined period, only professional and institutional participants are eligible to place bids. In the community round, however, all participant types are eligible to participate. The round concludes if all the allocated contribution tokens are purchased or the community round ends.



Additional Network Features

Polimec provides more value than just funding, as many other useful features are considered in the protocol for the different network participants.

Incentivization and Community Building

This includes tools for issuers to directly engage with the community on Polimec, or the incentivization of token holders through liquidity pools. Furthermore, participants of successful funding rounds can unlock long-term holder bonuses by holding the project's mainnet token over a predefined period of time. These tools are especially useful for projects following the funding round to launch with a broad and active community, and a distributed token holder base.

Gamified Social Credit Building

Lastly, various activities on Polimec can be gamified to boost contributions from the various network participants while maintaining accountability. Using the evaluation phase as an example, successful evaluators increase their scores and move up in an evaluation ranking, while those who are unsuccessful decrease their scores. This mechanism allows participants to follow evaluators they trust. Social credit building narrows knowledge gaps as some evaluators might bring technical experience, while others focus on the business potential.

Polimec Foundation

The Polimec Foundation is a non-profit organization established and headquartered in Zug, Switzerland. The foundation is dedicated to the development, growth, and promotion of Polimec. Through developing and maintaining Polimec, the foundation provides the technology mechanism for the emergence of community-driven Web3 projects by providing an automated framework for raising funds.

Collaboration Partners

KILT

KILT is a blockchain identity protocol for generating self-sovereign decentralized identifiers and verifiable credentials, providing practical, secure identity solutions for enterprise and consumers.

Polimec utilizes on-chain credentials issued by trusted third parties on KILT to ensure adequate knowledge and verification of all network participants.

Moonbeam

Moonbeam is an Ethereum-compatible smart contract platform on Polkadot.

Polimec utilizes Moonbeam's smart contract platform to enable access to the Ethereum ecosystem and allow EVM-compatible blockchains to raise funds on the protocol.

Legal Note

The purpose of this technical presentation is to present Polimec, the reasoning behind it and current views about its technical implementation as well as potential future technical infrastructure around it. Polimec is currently under development and in this document the current state of development is stated. The information set forth should not be considered exhaustive and does not imply any elements of a contractual relationship. Its sole purpose is to provide relevant and reasonable information to interested persons as well as to any developers who think about using Polimec, to any blockchain developers who wish to contribute to the Polimec community and to potential collaboration partners who want to get an insight into the current state of the Polimec project.

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