

TOM2 Finance Litepaper

Decentralized Finance Platform by TOM Swap Group (TOM / TOM2 Finance)

14th January 2021

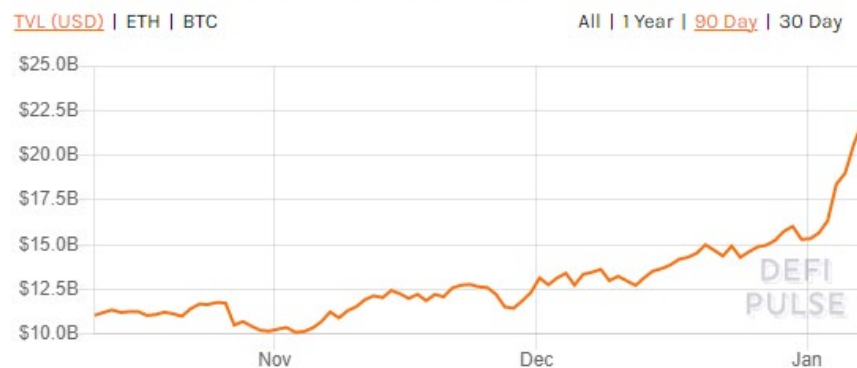
Growth of Decentralized Finance (DeFi)

DeFi represents a system built on a secure blockchain that gives users an alternative to traditional financial institutions. There are no third parties or intermediaries involved in user's financial data, which gives the user more autonomy than a traditional institution.

Many fintech leaders argue that DeFi is an answer to the 2008 financial crisis. Due to the poor decision makings and lack of proper financial regulations, financial institutions brought the world's economy to its knees. The knee-jerk reaction was to create an ecosystem dependent on every link in the chain, rather than centralized authorities—hence the term "decentralized finance." The concept of blockchain, a decentralized ledger, was designed to ensure transparent financial transactions. Moreover, transaction approval would come from network individuals incentivized to approve them by solving complex mathematical equations or by network consensus voting to establish decentralized finance system.

Most applications that call themselves “DeFi” are built on top of Ethereum, because of Ethereum's smart contract function – automatically execute transactions if certain conditions are met. With smart contracts at the core, dozens of DeFi applications are operating on Ethereum. Ethereum 2.0, a coming upgrade to Ethereum's underlying network, could give these apps a boost by chipping away at Ethereum's scalability and high gas fee issues. More DeFi projects will be developed after launch of the Ethereum 2.0 and more users can enjoy DeFi services instead of traditional financial institutions.

Total Value Locked (USD) in DeFi



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DeFi has been the hottest trend in the blockchain space. A popular way to look at the success of DeFi is measuring the amount of “locked” funds. “Locked” funds refer to the funds that consumers have sent (and decided to entrust) to the smart contracts that make up the DeFi ecosystem. An increasing volume of funds locked in DeFi represents growing confidence of the

¹ Total Value Locked (USD) in DeFi, Defi Pulse, 2021. 1. 13., <https://defipulse.com/>

DeFi. The total USD value locked in DeFi which stood at \$690.9 million on Jan. 1, 2020 has now ballooned to \$22.02 billion on Jan. 7, 2021.

Decentralized Exchange (DEX)

DEX is one of the most popular industry in DeFi space. Different from centralized exchanges, DEX helps users to exchange cryptocurrencies for other cryptocurrencies. With development of an automated market maker (AMM), relying on a mathematical formula to price assets and therefore “make market” for users, DEX experienced exponential growth. AMM is a smart contract that creates liquidity pools of ERC20 tokens and execute transactions from DEX users using shared pool tokens. Since the liquidity pool must be large enough, incentives are rewarded in return of depositing assets in the liquidity pool.

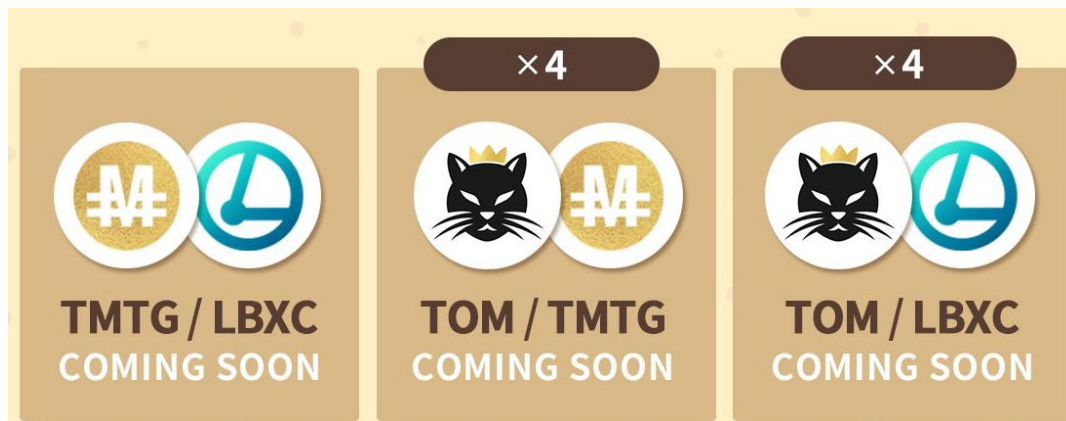
Impermanent Loss (IL) is one of the issues that DEX users should be aware of. IL happens when the price ratio of deposited tokens changes after users deposited them in the pool. The larger the change is, the bigger the IL. Therefore, users should keep track of the price ratio of deposited tokens.

TOM2 Finance

As part of the launch of TOM2 Finance, TOM Swap Group is launching the liquidity mining event. TOM2 Finance will be converted into a new decentralized platform with a holistic suite of services and tokens that are fairly distributed to the users. TOM2 Finance is launching AMM and DEX that is built on the Ethereum blockchain. TOM2 Finance implemented its own DeFi and DEX to enable swaps on the platform.

With the launch of TOM2 Finance, a Liquidity Pool (LP) token will be available for liquidity mining on the exchange. The liquidity mining will take place over 60 days and LP tokens issued in proportion to total staking amount to liquidity providers.

The total supply of TOM2 is **10,000** and the list of liquidity mining pairs are as follow based on liquidity mining on TOM2's AMM platform:



1. Liquidity Mining:

- a. TOM-TMTG UNI-V2 LP Token Liquidity Pool x4
- b. TOM-LBXC UNI-V2 LP Token Liquidity Pool x4
- c. TMTG-LBXC UNI-V2 LP Token Liquidity Pool

The farmed TOM2 token can be staked on the TOM2's DEX to vote on governance proposals and will be rewarded by TOM2. Details will be explained on later section.

2. TOM2 Governance

As TOM2 strives to be a truly decentralized protocol, any changes to the TOM2 ecosystem are always done via on-chain proposals and voting. The TOM2 ecosystem is controlled by TOM2 token holders who submit and vote on proposals that govern the ecosystem. Users can use the TOM2 tokens to vote on governance proposals on the TOM2 Finance DEX. Each TOM2 token provides 1 vote to the token holder. Staked TOM2 token can vote on the governance protocols that

are submitted by the community to enact changes that can benefit the network (e.g. changes to fee proposals). When voting, the TOM2 token will be locked for the duration of the vote, but the TOM2 token holder will continue to receive staking reward that is attributable to his or her stake.

3. TOM2 Tokenomics

TOM2 token has a hard cap of 10,000 tokens which will be issued within the first 60 days. No new tokens will be issued after the first 60 days and when allocated TOM2 tokens are fully mined.

[How TOM2 DEX works]

a) Pool

TOM2 Finance exchange allows users to swap any ERC20 token into any other ERC20 token (ex. swap with TOM-TMTG) if there is a liquidity pool available on the exchange.

Liquidity is provided by users who staked equal portion of each ERC20 token at the same ratio (50:50), and in return users receive LP tokens (ex. TOM-TMTG UNI-V2 LP Tokens) that represent their stake in each liquidity pool.

Users of the TOM2 Finance exchange pay a 0.3% trading fee every time they trade in the pool. A part of trading fee will be attributed to the LP pool.

For reference, LPs may be exposed to IL instead of receiving fees, and it is important to be aware of the possibility of such losses. In order to prevent such loss, TOM Swap Group has developed a bot alerts LPs when exposed to IL.

b) Farm

If the liquidity providers deposit their LP tokens on the Farm during the mining period, in addition to their trading fee, TOM2 tokens are rewarded as compensation in proportion to their liquidity supply.