



WOLFY

WHITEPAPER

v2

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PROLOGUE

This Whitepaper is an embodied extension of 18 months appertaining to deep development, research and market-driven adaptive engineering.

Much time has passed since the inception of WOLFY. The illustrious path to this very moment has sculpted an advanced, flourishing and rewarding ecosystem that in many perspectives will likely appear as dissociated mirages of the founding vision. However, that is far from the truth.

Through the persistence and resilience of the community and founding team, WOLFY is now a more advanced and well-tailored ecosystem to the crypto market. It is more decentralized, more rewarding, more intricate, and more incentivizing to crypto trader audiences than any other DeFi prediction market in existence.

This paper outlines the success case for WOLFY, including: market problems - WOLFY solutions, a complete ecosystem dissection, state, opportunities and limitations, strategy, upcoming governance and more.

A special thankyou to the WOLFY community.

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EXECUTIVE SUMMARY

Prediction markets are types of derivative markets where people can trade contracts that payout based on the outcomes of unknown future events. First incepted 30 years ago, prediction markets are yet to attract mass adoption or obtain a stronghold in financial markets. However, with the revolution of decentralized finance, smart contracts and p2p transacting; one could argue that a serious opportunity driver has arisen for this category of derivatives to expand at rapid scale.

While prediction markets have continued to synthesize and muster some crypto market share more recently, most have had a short-lived adoption rate and the category (by market capitalization) is still dominated by one key player. In order to be truly competitive, prediction markets must be disruptive in their model. It's necessary that they are decentralized, timeless, sustainable (renewable & cyclical balanced liquidity) and have an actual product-market fit.

We believe WOLFYMarkets is the first decentralized prediction market to achieve all of the aforementioned distinctions.

EXISTING PROBLEMS

1.1

Arbitrary markets are irrelevant to the crypto trader.

Current crypto prediction market models are quite susceptible to much scrutiny. Most existing platforms are information markets or gamified versions of prediction markets. While there is a segment for world-events and 'create your own' arbitrary prediction pools, this type of build does not gear up prediction markets for mass adoption, nor is it an attractive product to the crypto investor. They are more likely considered a crypto native tool for entertainment.

No Decentralized Exposure Hedge.

Crypto investors are self-engineered to orient their care, time and attention around their crypto investments. Managing risk is a key component to the psychology of any investor, but especially a crypto investor considering how volatile the market can be. The current prediction market terrain offers no opportunity to hedge risk exposure in spot investments or futures positions.

Unnecessary Market Mechanics.

The value of derivatives are linked to the value of an underlying asset. Gnosis, which as of this time attributes 80% of the total market capitalization of crypto prediction markets (source: CoinGecko), guarantee a derivative position in a prediction market via 'outcome tokens' which represent a position. While an AMM framework like this works, an exchangeable token for a prediction market position is overkill. Positions could instead just be represented by an asset (ERC-20 or otherwise) a predictor deposits into a smart contract with parameters that define their position.

Lack of Decentralized Organisation

Many prediction market protocols are centralized in their offering. For example, platforms which may be considered similar to WOLFYMarkets offer single-asset price predictions. These independent pools are not community governed or curated, nor are they strategic whereby the very nature of the assets prediction upon could attract the associated communities to the platform to participate. A DAO framework on an isolated chain with rapid voting cycles would suit this requirement extremely well. It also increases chances of community-oriented longevity, actual protocol growth and interest sustainability.

Closed & Illiquid

Centralized prediction markets are often governed by a closed group of governors or regulators with low staking/reward caps in place. Illiquid environments and threat of shutdown like this are a turn-off for willing participants. Prediction markets should be permissionless, trustless and decentralized from both a liquidity and operational standpoint.

Protocols Limited to Single Chains or Ecosystems

Vitalik Buterin himself has **predicted** that future successful dApplications will be multi-chain. Yet, existing prediction market protocols have self-isolated to a single chain or ecosystem (e.g. Polkadot). Multi-chain implementations offer all types of users almost boundless participation opportunities.

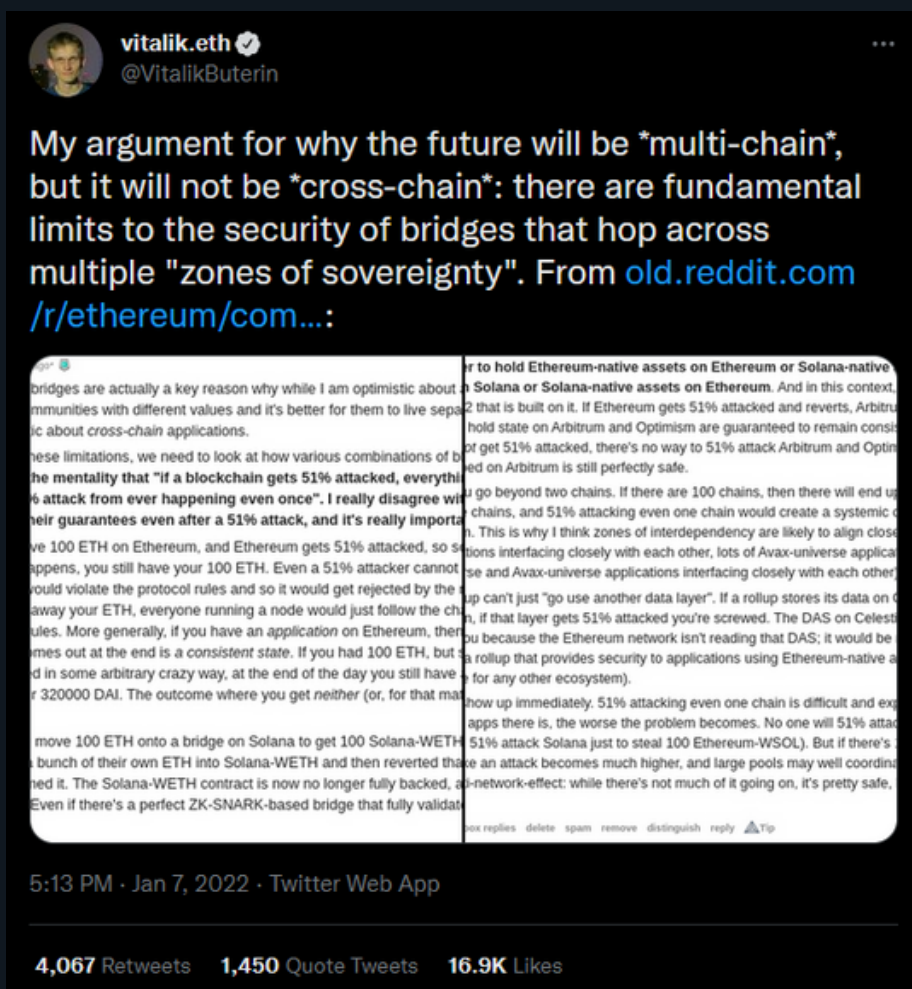


Figure 1.1 - Vitalik Buterin Prediction

WOLFY SOLUTIONS

1.2

Crypto-Investor Oriented Prediction Markets

WOLFY Prediction Markets are oriented around the crypto trader. Instead of facilitating for arbitrary, gamified informational markets that mean very little to a crypto trader - the WOLFY core ethos is to ensure the very nature of the predictions are centered on subjects that matter to a crypto investor: crypto-asset prices, or the performance thereof on highly available incremental timeframes. WOLFY delivers markets that crypto investors can maintain a familiar financial interest in.

Decentralized Positions Hedge Opportunity

Through the offering of crypto-asset price-based prediction markets, WOLFY offers users the ability to hedge their external positions, or even extend their positions in an alternative but decentralized derivatives market. For example, a long term spot position in Solana (SOL) may be hedged with a prediction that Avalanche (AVAX) will outperform Solana in a one week timeframe because of a specific event, perhaps from publically available information.

Simplified Market Mechanics

WOLFYMarkets uses chain-native stablecoins and on-chain data storage to represent a predictor's position in a market. A winning prediction increases the balance of the deposited asset, dependent on parameters. WOLFY smart contracts handle all position and liquidity management logic. Similar to an AMM, our prediction market smart contracts can also be used to create a single-asset LP position with the same chain-native stablecoin for more risk-averse platform users.

Decentralized: Community Operated & Governed

WOLFY prediction markets operate on a periodic basis, starting with 1 hour, 4 hour, 12 hour, one day and one week increments. Once periods are concluded, markets can be settled and payouts retrieved. Any user can then restart the period-driven markets (with reward incentive) in order for the markets to become active again. This enables re-usability of markets but puts the responsibility on the community/users. Users ultimately determine prediction market demand; a true DeFi experiment.

In the near future WOLFY will transition into a D(A)O, where community-driven operations and governance will effectively give ecosystem control to WOLFY holders, but more on that further on in this paper.

Trustless, Permissionless & Market-determined Liquidity

WOLFYMarkets uses immutable smart contracts that cannot be shutdown by any entity. Participation is permissionless and liquidity is determined by participation of both predictors and liquidity providers. Read more in Liquidity on page 12. All markets are secured from manipulation by reputable price feed oracles from both Chainlink and Uniswap TWAPs where applicable.

Multi-Chain Exposure

WOLFYMarkets is strategically planned to be available across multiple EVM-compatible chains in the future. The platform will first be piloted on Binance Chain - the EVM chain with the 2nd highest TVL behind Ethereum according DeFi Llama. Once a respectable TVL and activity level has been achieved, the platform will then be made available on another layer 1 (tbd). To concrete an earlier statement, it's imperative for prediction markets to be accessible to all types of users.

MISSION

1.3

"Our mission is to procure a decentralized, sustainable and truly desirable prediction market ecosystem for crypto investors and traders. By leveraging a sustainable, trustless and permissionless prediction protocol, WOLFYMarkets is the barrierless entry point to a new breed of on chain derivatives markets."



The WOLFY community is building the first decentralized non-custodial, crypto-asset vs crypto-asset prediction market protocol with sustainably balanced liquidity. WOLFY is well-poised and well-equipped to create **the** alternative crypto derivatives markets.

WOLFY hopes to bring high scale adoption and recognition to decentralized prediction markets by being the first to focus obsessively on catering toward the desires of the end user.

ECOSYSTEM EXPLAINED

The WOLFY ecosystem is comprised of an abundance of incentivizing components, including the prediction market platform & protocol, a deflationary & rewarding governance 'parent' token and a chain-specific platform reward token. Each exists to serve and benefit ecosystem participants individually while also coalescing into a harmoniously operating network.

PLATFORM MODEL

2.1

Oracle Secured Markets

Market outcomes are determined by change in prices at market period start to market period end. Options with low liquidity can easily be price manipulated for prediction market arbitrage. However, with oracles that aggregate prices from various trusted sources (Chainlink) or determine an answer with TWAP / Time Weighted Average Price (Uniswap Oracle), manipulation is near impossible. All WOLFYMarkets prediction markets are secured and driven by these trusted oracle setups.



Staking in Prediction Markets

To stake in a prediction market, a predictor first chooses a crypto vs crypto market to stake in (e.g. ETH vs BNB) and sets parameterized options: side (option), period, leverage and stake amount.

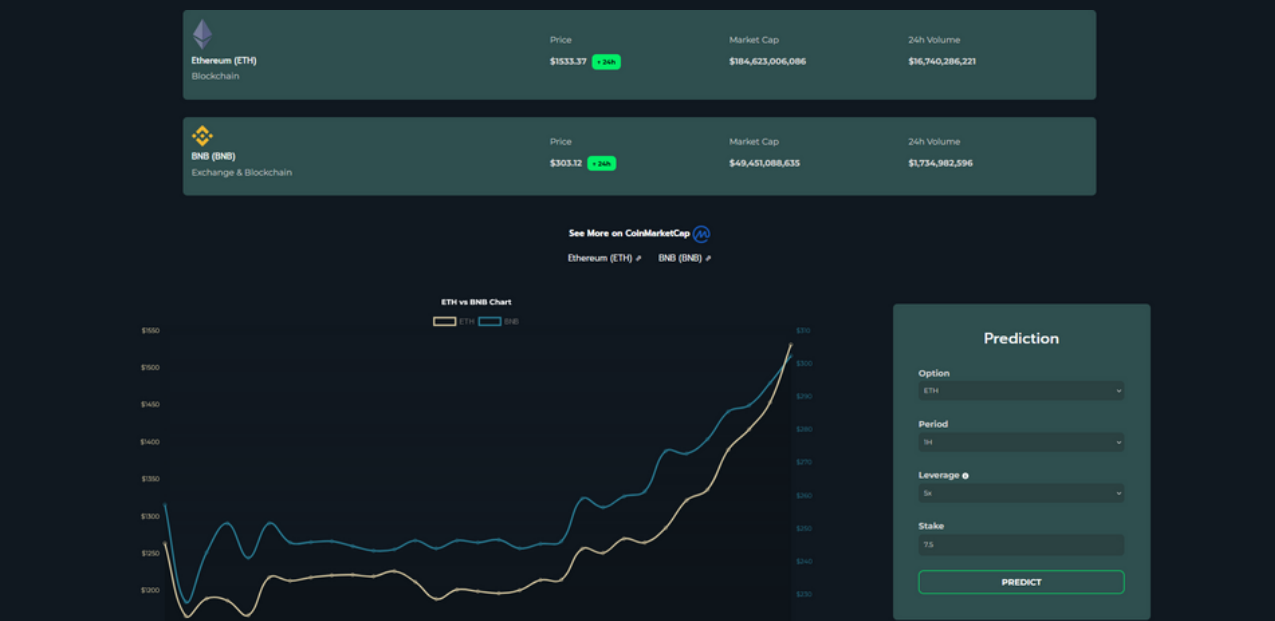


Figure 2.1 - dApplication screen

- **Option:** The asset the predictor is predicting will outperform the other.
- **Period:** The time period in which the predictor predicts the chosen option will outperform the other.
- **Leverage:** The multiplier applied to a stake amount by which a notional 'size' is curated. Size determines what percentage of the prize pool a winning predictor is entitled to. Leverage up to 5x. Leverage also increases risk - standard risks 20% of stake amount, 2x risks 40%, 3x - 60%, 4x - 80% and 5x - 100%.
- **Stake Amount:** The amount staked.

Payouts work via a loser-pay-winner system. Winning rewards are determined by the 'size' of a winning predictor's stake, as a percentage of total size, taken from the cumulative losses of losing predictors. In the scenario that the total losses do not meet a set Minimum Reward Threshold (MRT) then the difference is taken proportionally from liquidity providers. Liquidity Providers (LPs) however accumulate rewards per prediction which acts as an equipoise to this risk.

Prediction staking pages on the dApplication are complemented with both technical and sentiment oriented resources derived of data from the market, aggregation oracles and WOLFYMarkets smart contracts.

Liquidity

Deep, sustainable liquidity is the backbone of an attractive crypto protocol. To embody decentralization, protocol liquidity should be sourced from, and exchanged between peers on-chain. WOLFYMarkets prediction markets are self-contained liquidity pools that ensure an automated balance and participation reward for all types of users.

LPs are free to withdraw after the contract determined lockup period (initially 3 days) has been exceeded. This lockup helps maintain a liquidity balance in case markets need to request a payout should A vs B balance not be sufficient to meet the MRT.

Liquidity is isolated on a per-prediction-market basis with an independent APR. This gives LPs the flexibility to be strategic in their placement. Markets with a higher prediction volume offer more rewards but more risk, whereas markets with lower prediction volume offer a lower APR which comes with lower risk of balance reduction.

Fee Structure

Each prediction is subject to a 0.8% operational fee which is distributed to three indispensable ecosystem contributors. Of the fee, 50% is paid to WOLFPACK stakers, 40% is paid to LPs and the remaining 10% is paid to the developer (this will change to a multi-sig wallet with governance-elected community members/wallet addresses that will uptake core roles for the WOLFY ecosystem). MRT ensures that winning predictors always receive **a minimum** of 20% of their prediction stake, should cumulative losing payout not be sufficient.

Withdrawing liquidity from markets carries a 0.5% fee of which half is distributed to WOLFPACK stakers and the other half is transferred to the dev wallet (future DAO multisig).

WOLFY TOKEN

2.2



The WOLFY token is a deflationary and reflection-rewarding ERC-20 token intended to hold all governance power to the ecosystem. When the community is deemed ready to transition to a D(A)O state, the WOLFY token will hold the keys for all ecosystem changes, upgrades and enhancements to all upgradeable components.

WOLFY has an immutable 3% tax on any transfer, buy or sell. 2% is proportionally auto-reflected to holders while 1% is burned and removed completely from the supply. Upon fair launch, 25% of the total supply was sent to a burn address so it always accumulates the most rewards over time, so governance power remains more decentralized. These attributes make WOLFY hyper-deflationary.

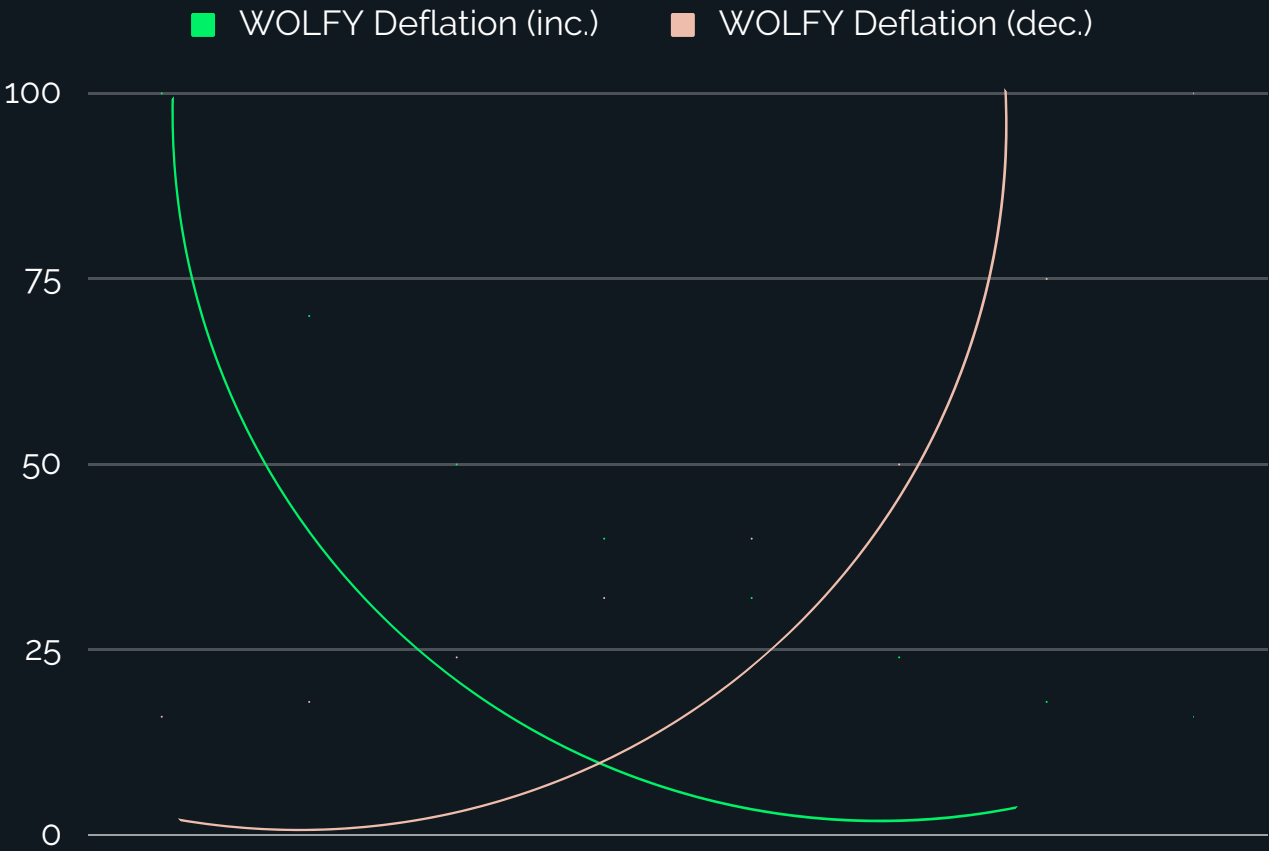
As price increases, deflation rate slows.

As price decreases, deflation rate grows.

The token model has been designed with a long term governance and demand-for-governance vision. As WOLFY will become the keys to govern a **all changes** and upgrades even at the most technical level, the gradual supply decline ensures retention of demand and incentive to hold - and thus participate in, and govern the ecosystem. Read more in the D(A)O section for a full (to date) decomposition of what WOLFY holders will be able to control with the transition to governance.

0x7dbbcae15d4db168e01673400d7844870cc1e36f

WOLFY Deflation Curve by Price Direction



WOLFPACK TOKEN

2.3



WOLFPACK (ticker: \$W/PACK) is the chain-native rewards token for the WOLFYMarkets ecosystem. It exists to serve as another participation incentivizing component which (through transaction taxes) creates inherent reward opportunities and a continuous stream of operational funds.

Transaction tax:

- 7% operations - bridging to Ethereum for WOLFY buybacks, marketing, liquidity.
- 2% liquidity - gradual increase in liquidity in DEX pool.
- 1% - dev (DAO multisig following governance transition).

WOLFPACK can be staked on the WOLFYMarkets prediction market dApplication in return for the majority share of prediction staking stablecoin fees (55%).

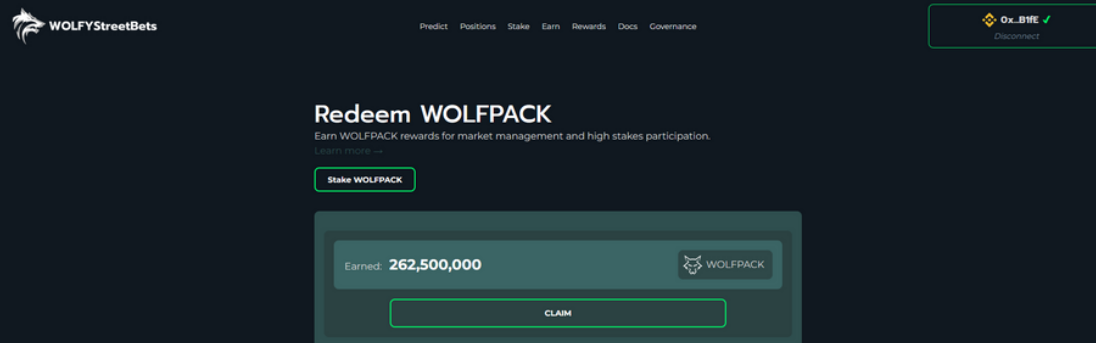


Figure 2.2 - dApplication screen 2

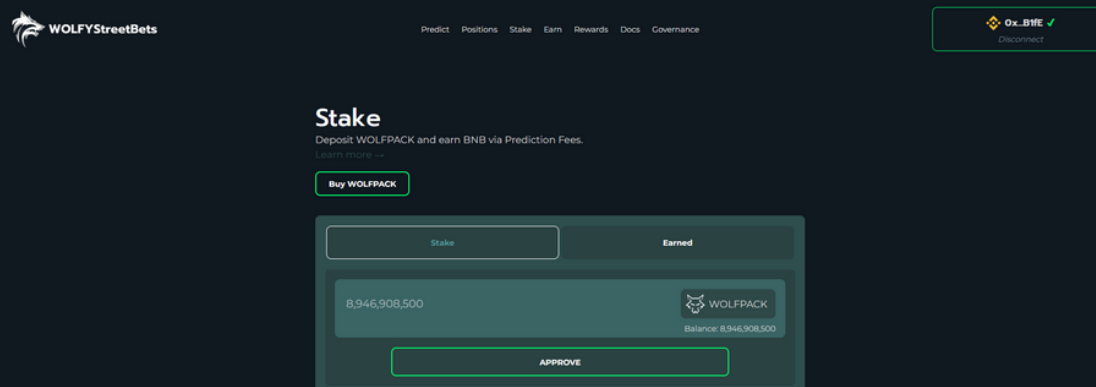


Figure 2.3 - dApplication screen 3

WOLFYMarkets users can also accumulate WOLFPACK through high stakes predictions and market management. Markets are re-usable, therefore they must be settled and restarted, and can be done so by any user. Users who also add liquidity to markets, or predict in markets with amounts over a governance determined qualifier are also eligible to redeem WOLFPACK rewards. These can in-turn be staked to share in WOLFYMarkets prediction fees.

WOLFPACK will be available on all chains the WOLFYMarkets dApplication is deployed to.

0x9057EA4842519790aD11BE458236e24Ae14DAc8F
(Currently only BNB Chain)

ROADMAP

CURRENT STATE

3.1

WOLFYMarkets has been in development for over 15 months. Since then, there have been multiple iterations on all levels throughout the whole ecosystem - from functionality to UI. In addition to building a functional crypto vs crypto prediction market infrastructure, WOLFYMarkets has also been designing and developing multiple connected incentive models and strategies to create a best-in-class on-chain prediction market ecosystem. Components such as liquidity, fee structure and participation incentivization have been remodelled and improved through countless iterations; while an enduring process, this has been existential in achieving what we believe is the leading prediction market ecosystem by design in blockchain today.

The current state of the WOLFY ecosystem is transitionally targeting phase 1. WOLFY and WOLFPACK tokens are both live. The prediction market dApplication smart contracts and UI are undergoing extensive internal testing to assure security and functionality.

V1 of the WOLFYMarkets smart contracts were audited by the leading Halborn Security. Recommendations have been implemented in today's smart contracts along with an incomprehensible upgrade in functionality and capability.

FUTURE STATE

3.2

Pilot

WOLFYMarkets will first be in 'pilot' on the Binance Chain (previously BSC). This is an experimental but strategic deployment to test the ecosystem demand and also user behaviour in ecosystem interaction. Despite being experimental, other chains will also be deployed to in the future once a foothold has been established, measured by TVL, userbase and other KPIs.

During this phase, fees collected into operational wallets will start to be utilised to rapidly grow the reach of the ecosystem, and increase value for WOLFY holders. This includes bridging accumulated platform fees and WOLFPACK fees to Ethereum to execute WOLFY buybacks and accrue liquidity. It also does not exclude an increase in marketing outreach, CEX deployment or engineering team expansion.

Expansion

In its expansion phase, WOLFYMarkets will be deployed to Ethereum, with new markets and with snapshot governance live. Arbitrum is also targeted soon thereafter for deployment, providing snapshot governance proposal passes WOLFY vote.

Governance

This phase of the WOLFY ecosystem is full transition on chain WOLFY governance. This level of governance is contract controlled and affects prediction market variables such as addresses, reward threshold and qualifier amounts. Off chain proposals and votes will remain on Snapshot.

Space Acquisition

As the community continue to pass on new proposals and govern the ecosystem, WOLFY will be acquiring prediction market - market share and is envisioned to be displaying dominance in all KPIs across deployed chains. The ecosystem will have evolved into a cohesive, hyper-performant and well-balanced model that all stakeholders are actively and persistently engaged with.

STRATEGY

Strategic planning and execution lies at the core of a successful expansion into a market. WOLFY will operate in the same way; executing principle blueprints designed to drive dApplication usage and rapid community growth at deliberate intervals. It's cardinal that this thinking style is shared with the community prior to governance transition so that this retains a forefront position during critical decision making and voting.

ACHIEVING SUSTENANCE

4.1

As it is now well-established that WOLFYMarkets will be piloted on Binance Chain, it's imperative to explain: what KPIs will be used to measure success and the pre-governance blueprints to be implemented to achieve them.

By deploying on the 2nd most active EVM chain we are able to gauge demand, functionality and user behaviour with a relative degree of accuracy. An initial protocol launch will inevitably allure a fast influx of users due to the well reputed 'hype' of unique, rewarding and incentivizing DeFi platform releases. In order to maintain a respectable growth curve in adoption, WOLFY will add prediction markets with options that are represented by well organised, socially engaged, active communities. Despite the WOLFY mission of totally personifying a new alternative decentralized derivatives protocol, prediction markets (much like regular trading) are susceptible to gamification and competitiveness among peers. By incrementally appending markets with options representing the performance of a crypto-asset with aforementioned community attributes, WOLFY will be able to attract rapid attention at scale by socially engaging said communities and protocols. This strategy can be complemented by selectively implementing markets with assets that are on the same chain the platform is deployed on; removing immediate cross-chain barriers to ecosystem access and therefore participation. For example: deploy on BNB Chain ---> add markets with crypto-assets that are native to BNB ---> incite competitiveness in communities and therefore influence platform use.

Success of such a strategy can be measured both statistically and based on sentiment. Quantifiable KPIs include TVL, prediction volume, WOLFPACK trading volume, supply staked, user growth rate and user retention rate. Sentiment will be derived from both dApplication user feedback and community-internal engagement.

REPLICATION

4.2

We have a multi-chain future ahead of us, according to Vitalik Buterin. WOLFY will adopt this as a long term strategy to: provide barrierless entry through choice/preference, gain exposure to maximalist, neutral and varied protocol communities and increase the operational power of governance multisig wallets across chains. Once sustenance has been achieved on one chain, the dApplication and WOLFPACK will be deployed to another EVM chain, starting with Ethereum and following, Arbitrum.



GOVERNANCE TRANSITION

4.3

Successful community governance can be measured or defined by the longevity of a protocol after a community obtains power on chain. Governance cannot succeed if communities lack a deep empathy and understanding for the protocol they are representing and governing. In complex ecosystems, unless protocol code is developed/contributed to entirely by a community, governance should be handed over once a true understanding, true size and true readiness is obtained. This is why WOLFY will be executing initial strategies so that the community can at first grow to a more substantial size, and also to demonstrate the strategic style of thinking and implementation.



APPLICATIONS & OPPORTUNITY

"The Hacker Way is an approach to building that involves continuous improvement and iteration. Hackers believe that something can always be better, and that nothing is ever complete." ~ Mark Zuckerberg.

With the long term accumulation of protocol generated funds, WOLFY will have the prowess to research and engineer potential new products that could later be offered to market. The sections below describe some examples of what these innovations would look like, how they are possible even now, and how they would impact the WOLFY ecosystem.

Model Reusability.

6.1

The WOLFYMarkets model is reusable by design. Our code is open source and both frontend and smart contracts can be forked and deployed with parameters that define new derivative options on chain. As long as the options are retrievable on chain via Chainlink oracles or price feeds, the contract functionality will persist.

A potential opportunity for this would be to further decentralize the WOLFY prediction market synthesis process by implementing a factory smart contract that creates new Market.sol contracts with pre-defined constructor parameters. This could for example be permissionless, or require a precedent such as payment or burn of WOLFPACK tokens. Users would perhaps be able to set their own prediction staking fees. The limitation to this is the lack of organisation and therefore demand for individually curated markets.

Equities & FX

6.2

A more organised application of WOLFY code could be to bring non-native options as prediction markets to the dApplication. WOLFY research has shown that there is demand for off chain financial instruments such as equities, commodities and FX. Synthetic asset protocols have also implemented such cases with great success by proving demand.

As early WOLFY community members will recall, pitting crypto-assets against non-crypto-assets was the original vision. At the time, oracles did not provide default or preconfigured price feeds for non-native assets so WOLFY sent a request to Chainlink to implement popular options as price feeds. Chainlink now have these aggregator oracles available, and offer data on equities such as AAPL and FX such as USD. AAPL vs TSLA markets could be an appealing use case.

Through user research it was conceived that this would likely be a more successful implementation if done so with a larger userbase, wider reach and an established model. Staying crypto-native is surefire way for us to attract native crypto-centric users before conceptualizing expansion into off chain assets.

Cross-Asset Derivatives Markets

6.3

Referring back to the original WOLFY model design, cross-asset options markets like equities vs crypto, or any other combination that could be culminated a completely viable opportunity for WOLFY evolution. This would make WOLFY (again) an innovator and the first to implement a decentralized prediction market that sources options from different industries. A BTC vs TSLA prediction market does sound appealing...

CONCLUSION

Prediction markets are on the cusp of attaining serious crypto market share and attention; and are poised to shock the industry with a little innovation and product-market fit. The prediction market category according to CoinGecko is dominated by Gnosis, who own ~80% of the total market capitalization of prediction markets (at time of writing). It's evident that new prediction markets are not capturing industry value nor offering experiences that can be taken seriously by a crypto investor.

WOLFY has an ecosystem, strategy and roadmap that we believe can be the leading force in such a disruption. By leveraging research and analysis of existing protocols, trial and error based redesign and some innovation, the WOLFY model is poised to set a new standard in decentralized prediction markets.



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