

Tokenomics 2.0



Redefining Retail

May 2022

 PancakeSwap



tl;dr

Max Supply:

750 Million \$CAKE 🍞

PancakeSwap is here to build, and here for the long-term.

We propose a maximum supply cap of 750 Million (750M) for \$CAKE, and will introduce revised tokenomics for locked \$CAKE, such as bringing boosted IFO benefits and farm yields to our users.

We believe that having a max supply cap, and also incentives for an even smaller effective circulating supply better reflects the value, community, and sustainability of PancakeSwap.

This litepaper will briefly cover our considerations and analysis behind PancakeSwap Tokenomics 2.0 – enjoy the read!

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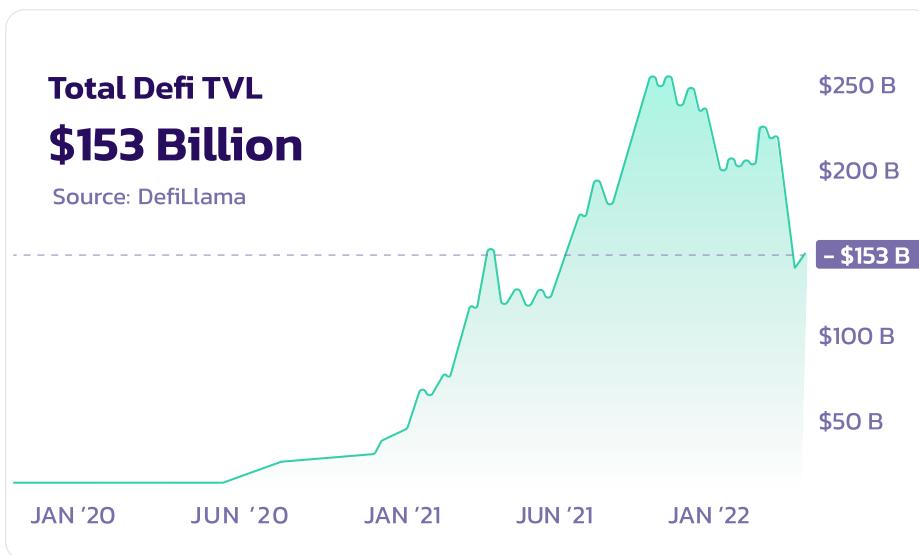




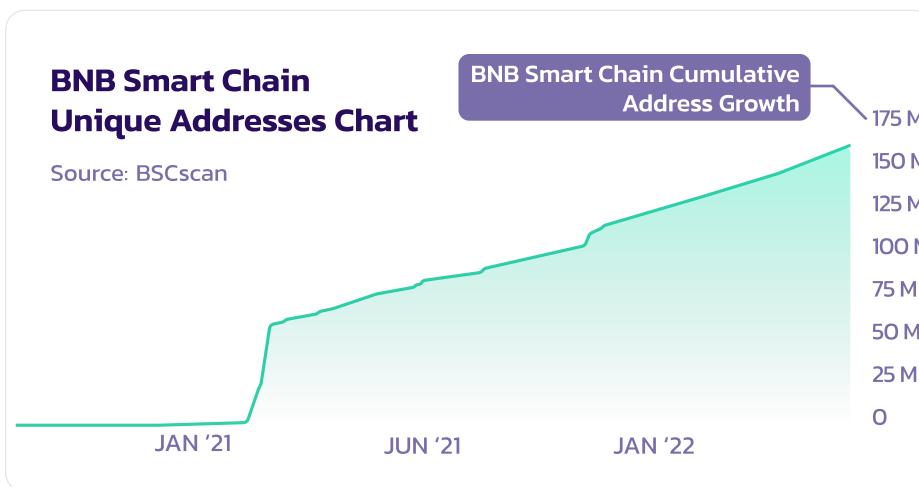
I. The State of DeFi and PancakeSwap

The DeFi landscape has evolved and matured since PancakeSwap's inception in September 2020.

Since then, TVL of all defi protocols has jumped from roughly 10B to 150B ...



... and the number of unique addresses on BNB Chain has increased from 50K to over 150M – a strastrophic increase of over 3000%.

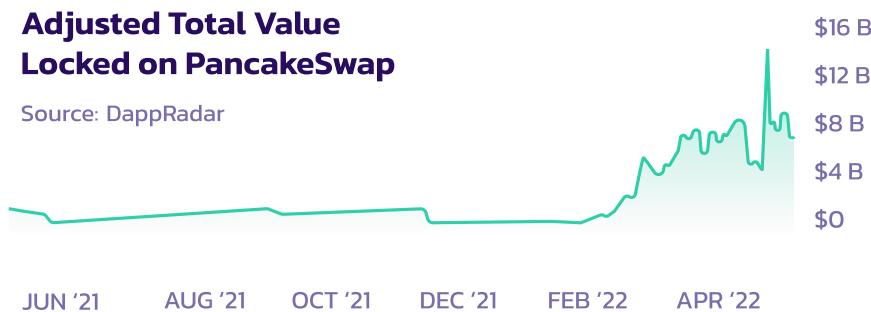




At the same time, PancakeSwap has had consistently the highest user engagement of any dex, with ~400,000 DAU in recent months, 1.5M Twitter Followers, and a 160,000 strong Telegram presence across all communities.

Adjusted Total Value Locked on PancakeSwap

Source: DappRadar



PancakeSwap's strongest asset and therefore, focus, will always be our users.

Amidst this backdrop of growth, and with our duty to both current and future users in mind, we outline the proposed revamp of PancakeSwap's tokenomics.





II. Overview of Proposed Changes for \$CAKE Tokenomics

Supply

V1

No cap on supply

Utility

\$CAKE is used for:

- a. Liquidity Mining Rewards
- b. Lottery Rewards
- c. Governance
- d. PancakeSwap Ecosystem
- e. Wider Ecosystem Partnerships (e.g. Trading Fee discounts on ApolloX)

V2 (Proposed)

Cap max token supply at 750M

Retain most \$CAKE use-cases, and add additional use-cases for locked \$CAKE:

- a. Weighted voting
- b. Boosted farm yields
- c. Boosted IFO Allocation
- d. and more to come!

Burn Mechanism

No Change to the good ol' burn!





Balancing scarcity and sustainability, we propose a

Max \$CAKE Supply of 750M

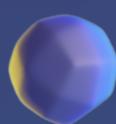


A/

Assuming no changes to our ongoing rate of emissions (e.g. no increase in trading fee burns), a supply cap of 750M gives us an approximate runway of 3 years*, before the circulating supply reaches this cap.

B/

This is longer than the current runway of other major dexes, such as Uniswap, SushiSwap, and TraderJoe. We are here to build for the long-term, and this principle underpins our tokenomics.



C/

With a 750M Max Supply Cap, the underlying \$CAKE tokenomics better reflects the value and scarcity of the token.



*In our calculations, we have used very conservative estimates and assumptions – i.e. the actual runway is likely to be longer – you can see our logic in greater detail on in our IV. Appendix.



CAKE

vCAKE, iCAKE, bCAKE

Besides reducing our total supply, we will also be providing more utility and incentives to users to lock their CAKE, reducing the effective circulating supply.

THESE UTILITIES
INCLUDE (BUT ARE
NOT LIMITED TO):



*Namings not final

**Greater locked \$CAKE
utility further reduces our
effective circulating supply.**





III. Timeline and Implementation – wen?

SOON.



We have concurrently published a governance proposal to institute the max token supply of 750M. At the same time, the kitchen will be busy working on the various locked-CAKE derivatives, and will announce them as soon as possible.

We take our responsibility at the vanguard of retail DeFi seriously, and therefore released this litepaper at the early stage of these changes, to provide our users with as much information as possible.



IV. Appendix: 750M Max Token Supply Analysis

Our process:

1/ Comparables Analysis with Top dexes on other chains

2/ Token Supply and the implications on our runway

3/ Token Supply and the implications on our valuation

4/ Overview of Calculations



1. Analysis of other dexes

We looked at the tokenomics of Uniswap (Max Supply 1B), SushiSwap (Max Supply 250M), and Trader Joe (Max Supply 500M), and identified the salient points of token design that we felt were applicable to PancakeSwap Tokenomics 2.0, namely (i) having a sustainable max token supply and (ii) introducing new token utilities.

At the same time, we noticed that it was important to continue the ethos of 'fair-launch'; every CAKE emitted should go towards furthering the PancakeSwap platform and community.

2. Token Supply and implications on our runway

We feel that some of the other max token supply proposed for other dexes were too low (ranging from 1 to 2 years from now), and raises the question of long-term sustainability. We therefore chose a runway of ~3 years, as we believe that is sufficient time for sustainable practices to be fine-tuned and implemented.



3. Token Supply and implications on our valuation

At the same time, we were aware of the effects a max token supply has on marketcap and other token metrics, and believe that 750M max supply at \$CAKE's current prices provides a conservative, fair-value valuation to BNB Chain's premier dex.

4. Overview of Calculations

Current Cake Supply: ~ 290M \$CAKE

Number of Blocks per Year: ~ 10.5M Blocks

Number of CAKE Emitted per Year: 10.5M Blocks x
14.25* CAKE/block ≈ 150M \$CAKE / year

3 Year Runway

= Current Cake Supply + 3 Years Worth of Cake Emissions

= 290M \$CAKE + (3 x 150M \$CAKE)

= 740M CAKE ≈ 750M CAKE

*The 14.25 CAKE/block is our emission figure before any burn (e.g. from trading fees). In practice, our effective emissions rate has been ~10.5 CAKE/block for the past few months. In coming up with our max token supply, we feel that using the base case of 14.25 CAKE/block is more appropriate.



With considerations of industry best-practices, our runway, and our valuation, we arrived at the 750M Max Token Supply.



End of the litepaper



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