



CRUDE FINANCE

Crude Asset Improvement Update

*Vesting Reward Protocol: The Birth of Liquidity Pool
DAOs*

Author/Asset Issuer: Victor Chigbolu
Audit: N/A

TABLE OF CONTENT

Abstract	3
Introduction	4
Definitions	5
Governance	6
Features/Services	9
Tokenomics	10
Further improvements	11

ABSTRACT

CRUDE Finance is a privately run decentralized exchange that uses the Automated Market Maker (liquidity Pool) to incentivise traders into buying and selling their assets on the bitshares network.

Its other services include Escrow, Leveraged Asset Trading, Yeild Farming and custodial services.

INTRODUCTION

Crude Finance has been an idea for a very long time since I first started investing in HYIPs and cryptocurrencies. The ability to own and manage a crypto-fund without the need for a third party is what prompted Crude Finance.

As programming languages are not my field of expertise it was essential to scout for cryptocurrencies that could offer asset creation services and smart contracts that require no complex language. After much comparisons between bitshares and Waves I decided to settle for Bitshares as it offered more decentralised protocols than its competitors at that time. Bitshares offers a user the opportunity to build protocols without the need to write complex codes, created assets can represent almost anything and perform special functions from smartcoins to UIAs.

Crude Finance first issued token was created by Abit, and with that it offered its first service as an escrow for its local currency Naira which was aimed at attracting local traders to contribute to the bitshares ecosystem.

The second asset that was created was CBTS a smartcoin that was pegged to bitshares but used a stablecoin as collateral. It was aimed at helping margin traders to trade without the fear of losing their bitshares asset to liquidation.

The third asset that was created was Leverage, Leverage was aimed at driving the investment side of crude finance, the goal was to create a cryptocurrency that would provide high returns to traders in no time. Added to Leverage was BTX, BTX was designed as a way of continuing the aim of Leverage as an investment by offering High leverage returns. It was designed as a smartcoin and uses Leverage as Collateral.

During this time Liquidity Pools came in after Bitshares 4.0 upgrade allowing users to set up liquidity pools for any asset pair and profit from swaps and market fees the pools would generate over time. This allowed me to create the next sets of LP tokens, Ushering me into the first fully autonomous AMM protocol (Liquidity Pools).

I was able to get whitelisted by XBTSX through Europa's kind gesture early on in the project and this allowed me to take full advantage of their resources. From traditional market making the focus profit strategy had shifted to swaps. The first liquidity pool token created was CRUDE.BTSP but it was abandoned due to bot swap which caused the supply to permanently lock. Other Liquidity pool tokens that were then created didn't have this problem and functioned as is.

So far Crude Finance can boast of over 10 fully decentralized Liquidity pools on the bitshares network.

DEFINITIONS

BITSHARES: Bitshares is a technology supported by investors and developers with a common interest in finding free market solutions by leveraging the power of globally decentralized consensus and decision making.

CRUDE: Crude is the brand name for all bitshares assets associated with CRUDE FINANCE.

ESCROW: The term used to describe a peer to peer transaction where a third party is involved.

LEVERAGE: Trading with borrowed capital in expectations that the profits made would be greater than the interest payable.

Leverage Asset Tokens: This type of coins offer leverage exposure without the risks of liquidation, rather they use a set of algorithms to determine the value of their positions.

STAKING: In cryptocurrency it involves a lock up of coins for a period of time in order to either gain passive rewards or support a blockchain network.

LIQUIDITY POOLS: This is a crowdsourced pool of cryptocurrencies locked in a smart contract that is used to facilitate trades between the assets on a decentralised exchange. The income from these pools is shared among liquidity providers.

Yield Farming: In its basic form, it is the act of earning fees for lending cryptocurrencies through smart contracts.

CUSTODIAL/GATEWAY SERVICES: This type of service in cryptocurrency is offered by centralised exchanges or a centralised authority that holds your actual cryptocurrencies in order for you to use their services.

Smartcoins: These are tokens that are pegged to alternate cryptocurrencies via price feeds and that can only be minted with backing collateral.

UIA: For User Issued Assets that have a number of uses on Bitshares but are mainly used to perform custodial services.

TOKEN BURN: This is the act of reducing the supply of a token/coin either temporarily by burning to reserve pool or permanently by burning to a burn address.

DEX: For Decentralised Exchange, a market in cryptocurrency where there is no central authority.

UII: For Unclaimed Issuer Income, i.e income from market fees of an asset on the bitshares blockchain.

MARGIN TRADING: This is the trading of an asset that was minted with backing collateral.

Margin Call Ratio (MCR): This term is used to describe the ratio at which a margin is called or liquidated.

Forced Settlement/Global Settlement: This term is used to describe the repayment of a backing collateral to a lender who holds a smartcoin. Global Settlement is the complete closure of all margin positions on a smartcoin due to low MCR.

VESTING: This is the process of locking up an investor's cryptocurrency or token for a certain period of time or after certain conditions have been met. Once the time has reached or the conditions are met, the tokens are then given or released to the owner or investor.

DAO: For Decentralised Autonomous Organisation, an organisation that is designed to be automated and decentralised, free from central authority.

GOVERNANCE

One of the basics of cryptocurrencies is that they are controlled by a community, a group of people with common interest who take decisions on how the cryptocurrency would function including the protocol to use, DAO model, tokenomics, forks, upgrades, proposals, voting system, etc.

The governance model for CRUDE FINANCE will be based around the Proof of Stake/Vesting protocol, where rewards are given to lenders based on certain conditions.

Staking happens on two conditions, when a users has above the threshold amount in his wallet, or when a lender stakes to any of the CRUDE liquidity pools.

Vesting rewards are then given to these users when the income from swaps and trades of CRUDE Assets have accumulated to a certain amount, or after a certain period of time. The rewards come from the unclaimed issuer income and the amount of funds available in the CRUDE reserve wallets and are distributed periodically to the investors for their loyalty and contributions to the fund.

ORGANISATION:

CRUDE FINANCE is still centralised when it comes to vesting rewards, however its core nature retains a lot of decentralisation as its built around Liquidity pool staking.

All the liquidity pools created by the fund are permanently locked in the **null-account wallet** on bitshares and cannot be tampered with nor the initial funds withdrawn except via swaps. Also the fund uses a number of reserve wallets to keep account of the income being generated by the assets and enable for accountability.

The basic organisation of CRUDE FINANCE is as follows;

The Asset Issuer: He issues the CRUDE assets and designs the liquidity pools and is also responsible for the vesting rewards that are sent to investors.

Contractors: These are trusted users who have provided capital for asset creation and growth of the liquidity pools.

Reserve Wallets: These wallets hold the income generated from sale of CRUDE ASSETS and allow for accountability of funds and easy distribution to investors. They also help to control the supply of the CRUDE ASSETS in the market in order to improve price.

Lenders: These are users who stake to the CRUDE liquidity pools or hold above the threshold amount in their wallets with the intention of getting vesting rewards and making profits.

Members: These are users who receive CRUDE assets as reward for their community building activities eg. by voting on polls, making referrals, airdrops, escrow services etc.

REWARD CALCULATION:

Rewards and payments are calculated based on performance and time.

The Performance of the fund is dependent on the income generated by it over time, therefore the **unclaimed issuer income (UII)** is used to calculate the asset's performance.

Time (T) is a factor that affects interest rates, the longer the lending time or staking time, the more is expected as returns in interest.

It costs money to distribute these rewards, on the blockchain, i.e fees. This is also factored in when calculating rewards, however the transfer fees are paid for by the issuer.

For Pool Vesting Rewards (VR) to get to users %UII must be equal to 1 or 100%,

$$VR = (\%UII * \text{TOTAL POOL VALUE}) / t$$

$$\%UII = \text{Generated Income (GI)} / \text{Target Income (TI)}$$

Thus, if GI and TI are equal, %UII = 1 and the vesting reward is shared.

Total Pool Value is calculated in the CRUDE asset pair, while t = time in days.

At current setup, the pool returns are set to 100% of the pool's total value causing the current TPV to be 1.484billion \$LVRG for \$LVRG pools, translating to double its supply in the Liquidity pools.

Using the current formula then, if %UII is 1, and t in days is 1, then VR = 1.484billion \$LVRG tokens to be distributed to holders. This is impossible to share however if t = 365 then VR = 1.484billion/365 = 4.066million \$LVRG.

This means that if %UII has been reached i.e is 1, then **4.066million \$LVRG** will be shared across the pools as VR daily for 365days in order to give back 100% of the TPV to investors.

The time factor is imputed into individual rewards as a **compounding factor** and increases as the **days to pool share** increases. **The Pool Share is the total amount of the CRUDE.ASSET to be given to its holders per day.**

Fees are also considered, therefore all eligible investors must have accumulated above the fee amount that is required to send their rewards to them, in order to be considered. i.e **Reward = Pool Share + Fees.**

The fees are not deducted because they are taken from the income made, but the reward to be sent must show significance in value hence this condition.

SUSTAINABILITY OF MODEL: *In order to ensure sustainability and longevity of the project, there has to be a time (Reward Cycle) when pool returns drop to allow for payouts, this time is default to 365days or 1 year. It is assumed that after a year users would have gotten a 100% return of the pool's value,* thus the following year the pool returns will be reduced to 50% and 25% the year after, using the halving reward model of bitcoin. Also the targeted Income would also be halved to allow for consistency.

Meaning if the TI for the first year is 5million \$LVRG, then the TI for the following year would be 2.5million.

Currently TI is set at 1050BTS equivalent of \$LVRG which is above 4million \$LVRG and is a fair representation of value, this also enables the TI to be dynamic and allow for price/value adjustments in the future.

Apart from pool rewards 125million \$LVRG tokens will be distributed to investors who hold above 2million \$LVRG token monthly.

DECISION MAKING AND VOTING PATTERN

In order to enable more community participation, most critical decision making would come from votes and proposals. Lenders would vote on a particular decision or proposal and the opinion with the highest votes get to be implemented. However at this initial stage, most of the decision making process still come from the asset issuer, but with time and more community participation, we will have a more decentralized approach to the voting process. Voting is done on the social media platforms either by polls or general discussion. After a consensus is reached, the new rules are implemented.

MARKETING/COMMUNITY BUILDING

Marketing and community building is a vital part of cryptocurrency that cannot be ignored. Adverts and promotions will take place on social platforms like facebook, twitter, instagram and hive. With time and more funding we able to publish articles and updates to news outlets and popular blogs that support cryptocurrencies. As usual airdrop campaigns have proven to be very effective in drawing the attention of prospective users so, more free airdrops will be conducted over time as a form of community building activity. Also we will be integrating with external cryptocurrency apps and sites that fit in with our goals and philosophies e.g Yield Farming sites, staking apps, etc. All this is to enable us expand our reach to as many users as possible.

FEATURES/SERVICES

CRUDE FINANCE is built around its Liquidity Pools and the escrow services it offers, however it has extended its services to yield farming, leverage/margin trading and asset creation services.

Yield Farming: This is based around the CRUDE.STAKE asset which represents the value of all staking contracts of CRUDE FINANCE on altchains like Binance, Waves, etc.

Currently CRUDE.STAKE is composed of BNB, USDTLambo, WAVESUSDNLP, WAVESDOWN, WAVESUP, BTCUP, MVC, and BUNNY. Payouts to lenders are done in BTS currently.

Escrow Services: This is based around the CRUDE.NGN asset, which allows for fiat to crypto exchange on the Bitshares DEX. The CRUDE.NGN is currently staked with \$LVRG in the NGNLP and has the biggest returns among the pools.

Leverage/Margin Trading: This is based around CRUDE.BTX and CRUDE.BTS. BTX is an asset that follows twice the price of BTS on the market, the asset is minted by using \$LVRG as collateral while CRUDE.BTS is a token that follows the price of BTS in Naira and is minted with CRUDE.NGN as collateral. Both have different purposes, BTX is meant to be used as a leverage traded asset, while CBTS is meant to be used for margin trading.

Asset Creation: From time to time new assets may be issued either to form liquidity pools or on the request of a contractor.

LIQUIDITY POOLS: CRUDE FINANCE liquidity pools are as follows;

STABLE COIN POOLS

These pools are made up of at least one stablecoin

CRUDE.NGNLP: This pool is made up of NGN and LVRG and is the biggest pool for CRUDE.FINANCE, most of the supply of \$LVRG is locked up in this pool, and from time to time will be released by swapping NGN for LVRG. In this sense this pool carries the biggest VR rewards for investors, with payouts in \$LVRG.

CRUDE.LVCNY: This pool was originally made up of CNY and NGN but was changed to LVRG later on. VR rewards are paid out in \$LVRG

CRUDE.BTS2X: This pool is made up of NGN and BTS, it was originally intended to be used as a leverage asset, but it is now used as a LP token, payouts are done in NGN

CRUDE.BTSP: This pool is made up of NGN and BTS, and payout is done in NGN

CRUDE.USDTLP: This pool is made up of XBTSX.USDT and LVRG, payout is done in \$LVRG

HIGH YIELD POOLS

These pools are made up of two unstable coins, Payout for these pools are in \$LVRG

CRUDE.POOL: CRUDE.BTS + \$LVRG

CRUDE.LPT: IOB.XRP + \$LVRG

CRUDE.BTSLP: BTS + \$LVRG

CRUDE.EVRAZLP: EVRAZ + \$LVRG

CRUDE.STHLP: XBTSX.STH + \$LVRG

CRUDE.BIT20: TWENTIX + \$LVRG

CRUDE.EGCLP: XBTSX.EGC + \$LVRG

FARMING POOL

This pool is made up of \$STAKE and \$LVRG and payout is done in BTS.

CRUDE.STAKELP: \$STAKE + \$LVRG

TOKENOMICS

CNGN, CLVRG, AND CSTAKE

CRUDE.NGN:

This is the first asset to be created after CRUDE, it was originally designed to be a stablecoin, however poor management and lack of adoption saw it fall in value and now currently it is pegged at 10,000 per bitCNY and 60,000 per USDT.

Devaluation Stats:

Initial peg started at 100CNY

%Devaluation = $(10000-100/100)*100 = 9900\%$ rise in price

Current supply = 10 trillion.

The total supply of CRUDE.NGN has been issued and is currently managed by the crude-ngn wallet on bitshares. It is sold at 10,000CNGN per CNY on the market. Also 125 million CRUDE.NGN was used to lock up the remaining issuable supply of LVRG at 1:4. This translates to a total amount of 12,500bitCNY or 2000USDT at current peg. This locked up amount will increase as the value of \$LVRG improves and over time will allow for more stability of the CRUDE.NGN token.

Its initial use as an escrow token for fiat to crypto exchange is still valid, however it depends on its usage.

In order to mint more CRUDE.NGN into circulation, the asset can be bought from the crude-ngn wallet or swapped for in the liquidity pools.

CRUDE.LVRG:

LVRG or Leverage was originally intended to be a Leverage Asset Token pegged to 5 times the value of Bitshares, however due to a lack of utility at that time and an issuing accident that happened to the original CRUDE asset, it has now become the central Investment token for CRUDE FINANCE. All the liquidity pools created by CRUDE FINANCE are paired with \$LVRG except for the NGN/BTS pools.

The initial supply was less than 100million at the initial stage however after the first reward cycle, the supply was increased to 999million in order to raise more funds for the project and allow for sustainability.

LVRG is used as collateral to borrow the CRUDE.BTX token which is a Leveraged asset token that follows 2x the price of BTS daily. LVRG is also used to reward lenders who have a stake in its liquidity pools.

In order to secure the token's value the remaining issuable supply has been locked up in the CRUDE.NGNLP and can only be minted by swapping it for CRUDE.NGN. The CRUDE.NGNLP was permanently burnt by sending it to the permanent burn address of bitshares null-account. This helps to prevent the withdrawal of both NGN and LVRG at the same time. With this only 183 million is currently in circulation and a further 125million capped tokens is to be given to wallet holders who have above the threshold amount (currently 2million) in their wallet as a form of vesting reward monthly.

CRUDE.STAKE:

STAKE is a token that represents the value of external staking contracts held by CRUDE FINANCE. This token is a form of insurance that guarantees its investors returns daily from the CRUDE franchise. The current payouts are in bitshares and its valuation is calculated as the total valuation of the external investments plus the total pool value of CRUDE.STAKELP in BTS.

Half of its supply has been burnt in the permanent burn address and part of the CRUDE.STAKELP token has also be burnt to ensure security of the pool and improve the value of the remaining STAKE token in the pool. STAKE also gives a cash back reward to users who trade the token on the market.

The total supply of STAKE is 6504.81 of which the rest is locked up in the STAKELP.

FUTHER IMPROVEMENTS

PROJECT LISTING

Listing of \$LVRG and CRUDE FINANCE on recognised exchanges and on marketcap explorer sites would greatly improve the project.

UTILITY

Having more lenders staking to the \$LVRG liquidity pools would also improve the value of the project.

LIQUIDITY POOLS

having more liquidity pools for CRUDE ASSETS would also improve the value of the project.