Creating the authentic data economy

Disclaimer

The statements in the webinar, both during presentation and question and answer should not be construed as commitments but only a guide on the direction we are heading. We are in the process of taking legal advice across multiple jurisdictions which may change this direction. Throughout this process, our focus is on achieving a regulatory compliant launch.

Topics

- Team
- Recap of vision
- Tokenomics:
  - General
  - Governance
  - Fee distribution
- Q&A

Team

Fraser Edwards
CEO & co-founder

Ankur Banerjee
CTO & co-founder

Javed Khattak
CFO

Tobias Halloran
Head of Partnerships

Alex Tweeddale
Governance Lead

Eduardo Hotta
Head of Marketing

Elina Yumasheva
Communications Lead

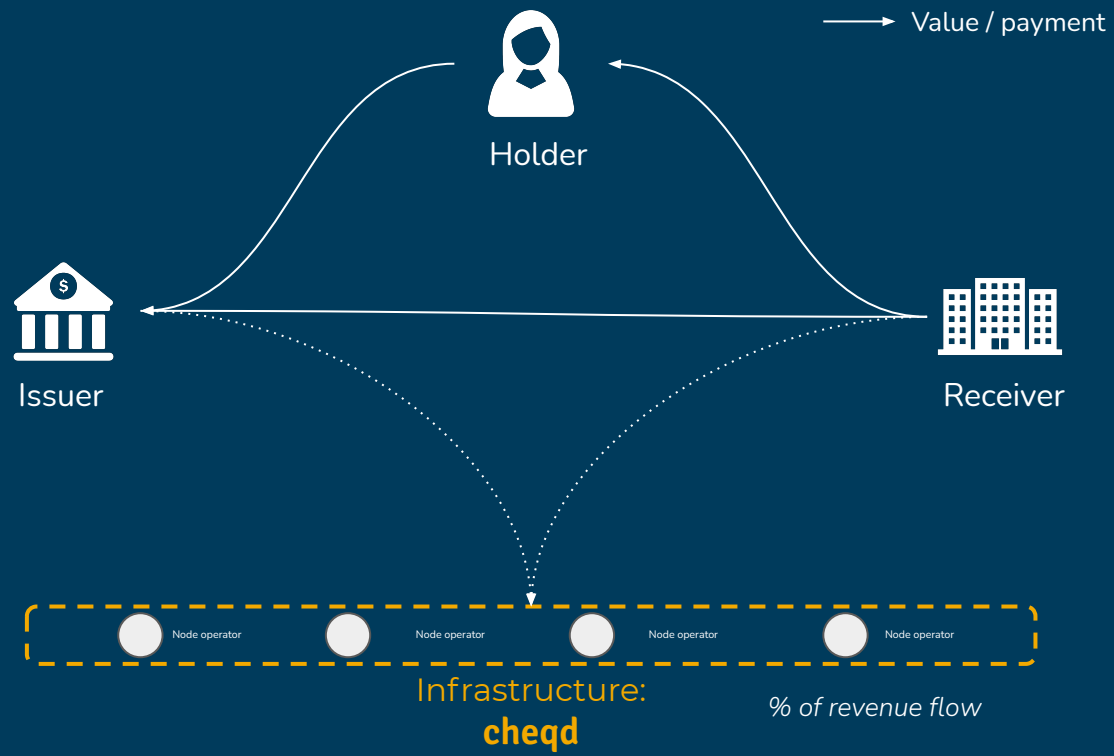
Ross Power
Operations Lead

Recapping our vision

We are establishing a clear incentive model for the entire ecosystem (especially issuers)

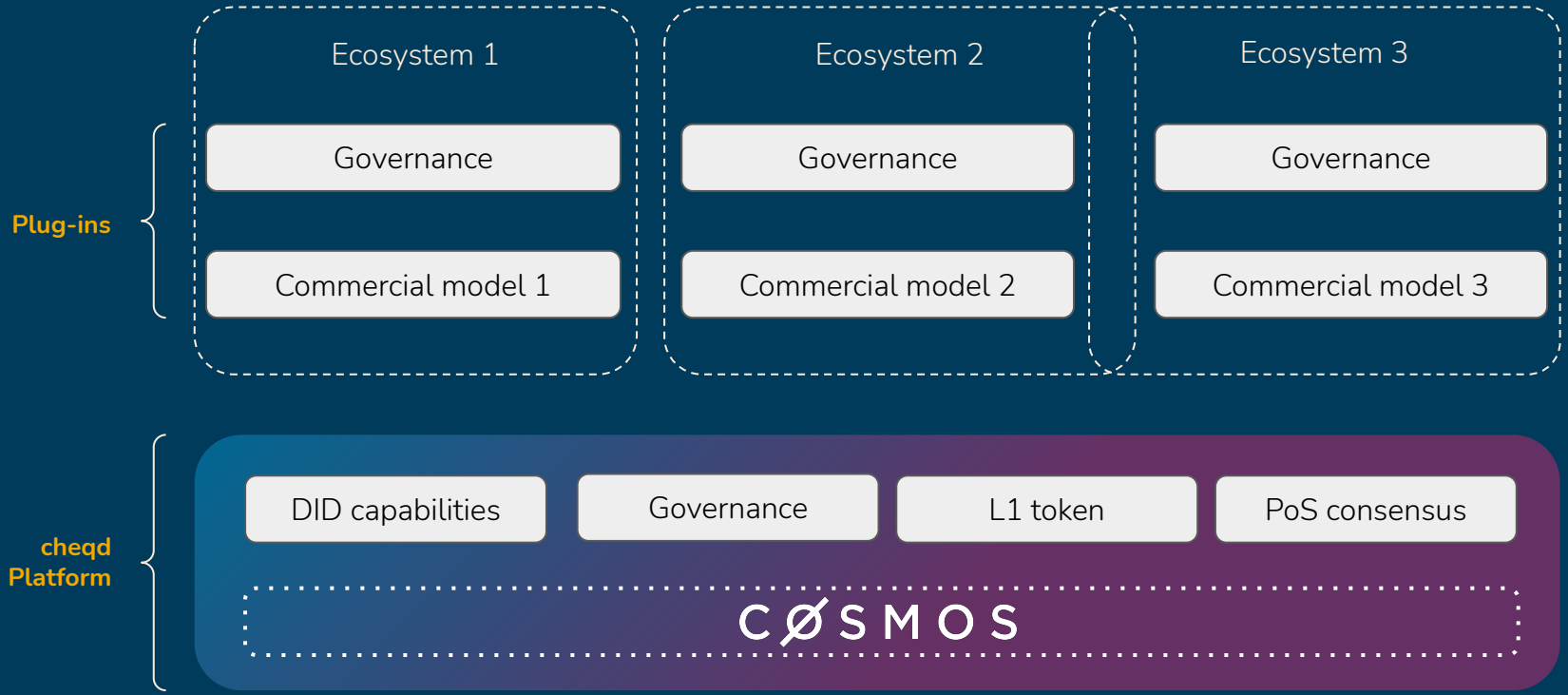
We are incentivising organisations with data silos to release that data to individuals and join the SSI revolution

This benefits everyone in the SSI ecosystem



Note: *Issuers will also be verifiers and vice versa, verifiers will also be issuers.*

We want to make it easier to establish SSI ecosystems whilst maintaining flexibility



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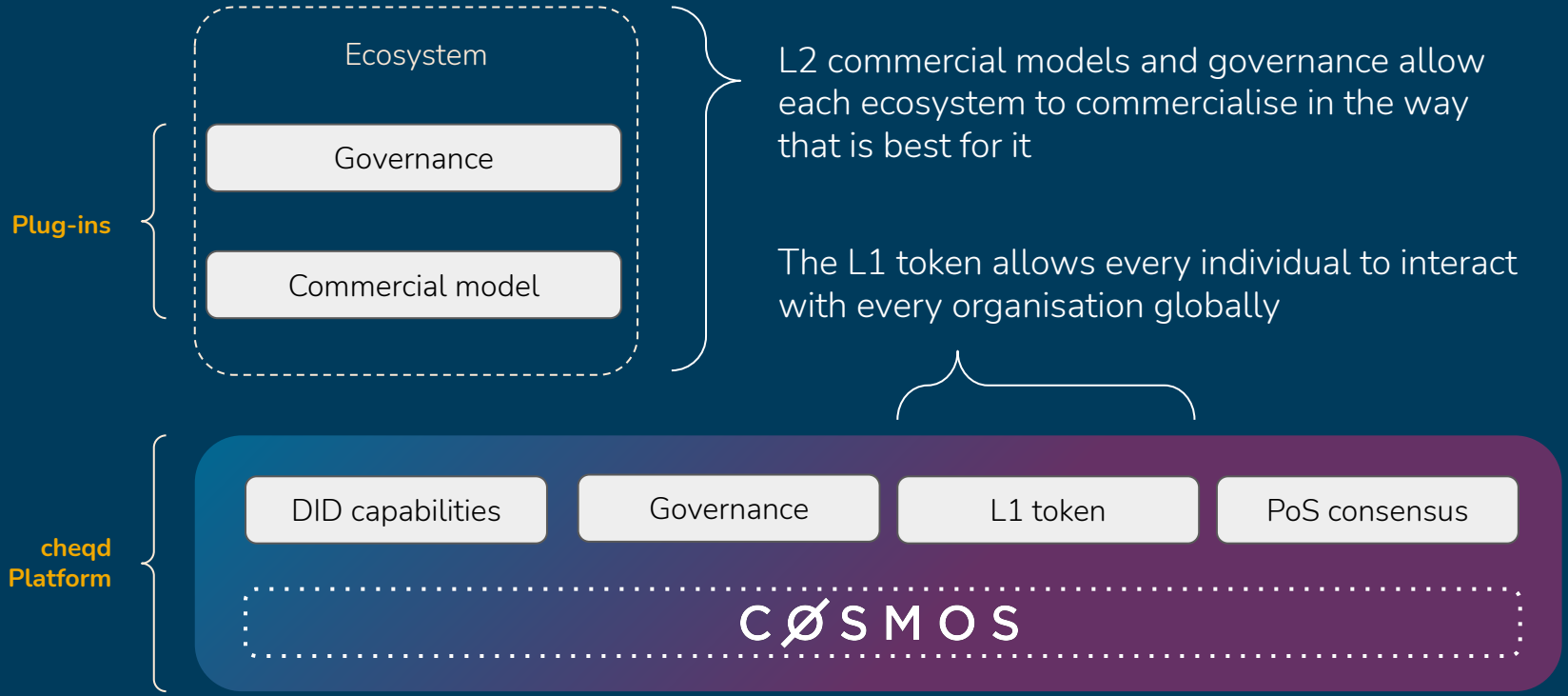
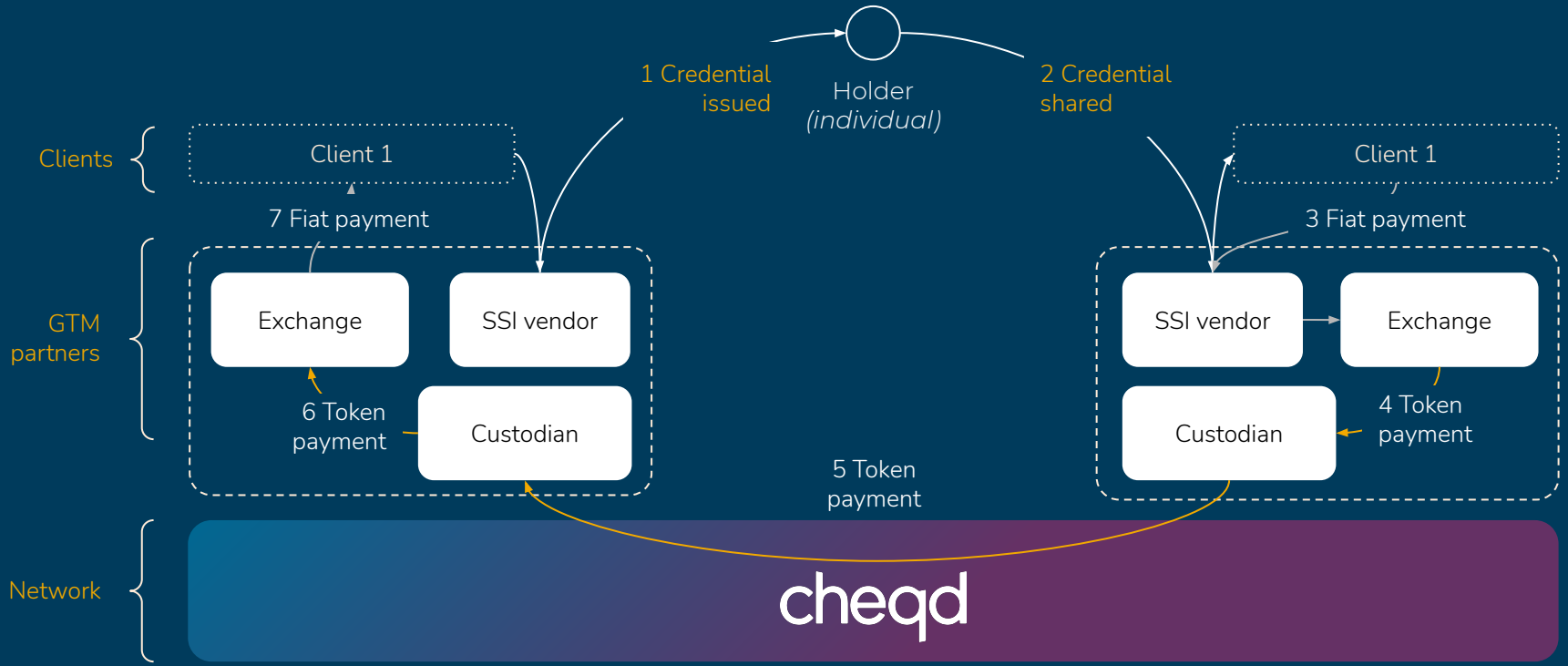


Clients will not need to interact with crypto



Our roadmap

Testnet & Beta product
Persistent, multi-node operator testnet

General Availability & Mainnet
Persistent, multi-node operator production net and token launch

June | July | August | September | October | November

Cosmos Migration
Migrate from Hyperledger Indy onto Cosmos

Decentralised Identifiers
Identity primitives

Incentivised SSI network
DIDs and other attributes written to ledger are charged using tokens

Further roadmap:

- Receivers being able to pay issuers or holders in different ways
- Complex pricing models
- Decentralised Autonomous Organisations
- etc

Minimum Viable Tokenomics

Rather than build our vision then launch, we need to launch as soon as possible

The result is **Minimum Viable Tokenomics** (MVT). What is the minimum we can successfully launch with so the network is usable from day 1?

From our analysis, this is the ability to write the following to the ledger:

- DIDs: Decentralised identifiers
- Credential definitions
- Credential schemas

This immediately **puts us on par with existing ledgers but with a much stronger roadmap.**

This means the MVT will be simple but still need to account for incentives

At the highest level, we have two incentives we want to achieve:

- Support for the network so that the fabric is **maximally decentralised and resilient**;
- **Usage of the network for its intended purpose,** i.e. authentic data transactions.

We'll tackle the parameters and mechanisms available across four sections

- General
- Governance
- Fee distribution

These are a starting point. They can and likely will be adjusted by the governance process

General: Cosmos explanation

The Cosmos protocol has most of the functionality we need immediately already built in, all we need to do is configure the appropriate parameters.

This is one of the beauties of migrating to a protocol which has natively supported tokens and on-ledger governance.

Initial supply

Description	Variable name (in code)	Value	Commentary
Initial supply of tokens	initialsupply	1,000,000,000	1b was felt to be sufficiently large enough for the market we are building for, i.e. self-sovereign identity across countries and industries.
Smallest denomination		10^-9	Similarly, as the value of the token grows, this should provide sufficient scope to keep fees appropriately low

Really not much more to say here!

General: Inflation

We found inflation was in tension between the two behaviours we wanted to incentivise: **use of the network** and **support of the network.**

- No inflation incentivises adoption of the network but no block rewards removes any incentive to support the network at low volumes. It also removes incentives to stake and hence secure the network.
- Inflation provides predictable rewards but does not maximally incentivise adoption of the network.

Based on our analysis, we need inflation to make support viable, but need to keep it reasonably low to maintain incentives for pushing adoption of the network.

Description	Variable name (in code)	Value	Commentary
Maximum inflation value	inflation_max	4.0%	Keeps block rewards over the year below 10% of the amount being vested across all parties.
Minimum inflation value	inflation_min	1.0%	Minimum required from analysis to maintain viable rewards for node operators
Maximum inflation rate change within a year	inflation_rate_change	2.0%	Achieves a balance of allowing movement whilst not allowing for wild swings between high and low inflation.

Governance:

Governance is a core part of cheqd, enabling token holders and community members to participate collectively in the decision making and direction of the Network.

Governance can be split in the following way:

1. **Off-ledger governance**
   a. Community discussion
   b. Simple wiki edit and review process

   Used for: Minor Network Changes
   a. Minor bug fixes
   b. Materially insignificant textual changes to cheqd documentation
   c. Translations

2. **On-ledger governance**
   a. Proposal mechanism
   b. Voting mechanism

   Used for: Major Network Changes
   a. Materially significant code or text changes
   b. Feature addition or removal
   c. Changes to cheqd core Principles
   d. Parameter changes
   e. Community pool spend

Governance

Major Network Change Process

To make a major change on the cheqd Network,

1. Discuss changes with the cheqd community;
2. Create Proposal in line with cheqd Proposal templates and post on cheqd forum;
3. Put down a deposit, below or at minimum deposit;
4. Proposal reaches **minimum deposit** within **deposit time limit**;;
5. Proposal is voted on by the Network;
6. **Quorum** and **threshold** need to be met;
7. Outcome of vote within **voting period**, either
    a. **Accepted**
    b. **Rejected**
    c. **Vetoed**

Governance Parameters

Description	Variable name (in code)	Value	Commentary
Minimum Deposit	min_deposit	8,000 cheq	These values were benchmarked against other projects with very few having moved from the Cosmos defaults, for good reason according to our analysis.
Maximum Deposit Period	max_deposit_period	2 weeks	
Quorum	quorum	33.34%	
Threshold	threshold	55%	
Voting Period	voting_period	2 weeks	
Veto	veto	33.34%	

Fee distribution

Fee distribution was assumed to be high-impact in terms of viability of the ecosystem. These parameters define what is provided to the block proposer before the remaining rewards are divided according to stake.

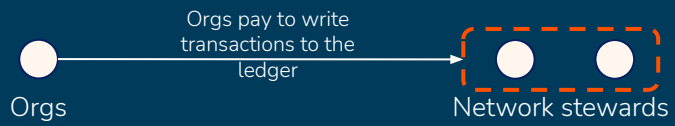
However, from our modelling, rewards are broadly distributed according to validator stake even accounting for the values below, meaning they have little impact. As such, we benchmarked these against other projects, finding that most don't deviate from the defaults.

Description	Variable name (in code)	Value	Commentary
Fees distributed into community-wide pool	communitytax	2.00%	These values were benchmarked against other projects with very few having moved from the Cosmos defaults, for good reason according to our analysis.
Base fee % reward for block proposer	baseproposerreward	1.00%	
Bonus fee % reward for block proposer depending on pre-commits	bonusproposerreward	4.00%	

We'll be launching these parameters onto our test network next week

What's next?

Free credentials

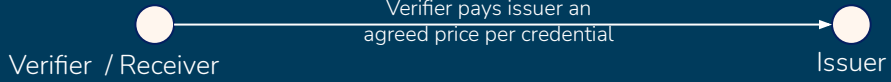


Credentials are not charged for within ecosystem

Immediate

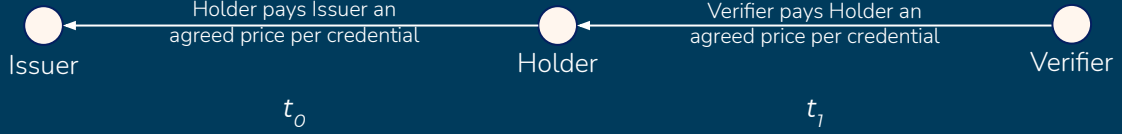
Premium credentials

"Verifier-pays-issuer"



Next

"Holder-pays-issuer"
"Verifier-pays-holder"



Thank you